#### Journal of Liberty and International Affairs | Volume 9 · Number 1 · 2023 | eISSN 1857-9760

Published online by the Institute for Research and European Studies at www.e-jlia.com

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(\*) Corresponding author
Peer review method: Double-blind
Review article
DOI: https://doi.org/10.47305/JLIA2391392u

Received: 19.12.2022 · Revised: 10.01.2023 · Accepted: 11.01.2023 · Published: 25.03.2023



# RULES-BASED INTERNATIONAL ORDER AND US INDO-PACIFIC STRATEGY: WHAT DOES IT MEAN FOR CHINA'S BRI?

# M Jashim Uddin<sup>1\*</sup>, Raymond Kwun-Sun Lau<sup>2</sup>

Abstract: The third decade of the 21st century has witnessed more tensions, instabilities, and new alliances in the Indo-Pacific/Asia-Pacific region due to intensifying rivalry and strategic competition between the US Indo-Pacific Strategy (IPS) and China's Belt and Road Initiative (BRI), two grand strategies of the US and China respectively. This article aims to assess the Rules-Based International Order (RBIO) and comprehend Biden's IPS, particularly exploring how the Indo-Pacific Economic Framework (IPEF) may impact China's BRI. This paper argues that RBIO is debatable and not universal. It is also argued that while the IPEF unveiled by President Biden represents a strategically important step forward, a long-term US genuine commitment to its implementation to counter China's BRI is essential. The methodology of this research is primarily based on secondary literature and official documents. This study concludes that although China is reluctant to pay too much attention to the US IPEF in its official statements, China is concerned about this economic initiative. The paper also concludes that because of the intense US-China rivalry, new alliances will emerge in the region leading to a new cold war or new world order.

Keywords: US-China Relations; Belt and Road Initiative; Indo-Pacific Strategy; Rules-Based International Order; IPEF

#### INTRODUCTION

To counter China's BRI, the US launched the Indo-Pacific Strategy (IPS). The US and its allies are promoting a rules-based international order through IPS. A new dimension of IPS was observed when the Indo-Pacific Economic Framework (IPEF) was established to enhance economic cooperation among the Indo-Pacific states. After holding talks with Japanese Prime Minister Kishida Fumio in May 2022, President Joe Biden officially launched the Indo-Pacific Economic Framework for Prosperity (IPEF) (Radio Free Asia 2022). This US-led regional economic initiative, according to a statement released by the White House (White House 2022a), includes a dozen initial partners: Australia, Brunei, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. These countries included and those who will join this framework in the future, as President Biden suggested, are signing up to work toward an economic vision: "the vision for an Indo-Pacific that is free and open, connected and prosperous, and secure as well as resilient, where our economic growth is sustainable and inclusive" (White House 2022b).

During his attendance at the 78<sup>th</sup> Session of the Economic and Social Commission for Asia and the Pacific (ESCAP) in the same month, Chinese Foreign Minister Wang Yi highlighted China's determination to "advance high-quality Belt and Road cooperation, facilitate connectivity in the Asia-Pacific, and ensure safe and stable functioning of industrial and supply









chains in the region" (Ministry of Foreign Affairs of the People's Republic of China 2022). By suggesting that "the Asia-Pacific is home to China", Wang also promised China would "remain firm in participating in Asia-Pacific cooperation", "continue to keep in mind and strive for the interest of the Asia-Pacific and take real actions to contribute more to the long-term peace and security and sustainable development in the region" (Ministry of Foreign Affairs of the People's Republic of China 2022).

With divergent visions being offered by the United States and China for the region, it is worth noting that behind the demonstration of their divergent "worldviews" is a more serious message: The advancement of the "Free and Open Indo-Pacific Strategy" from President Donald Trump to President Joe Biden is a continuous effort made by the United States to counterbalance China's advocacy of the Belt and Road Initiative (BRI). By calling China "the most serious long-term challenge to the international order and a test for US diplomacy", Antony Blinken, the Secretary of State under the Biden administration, highlighted the need for the United States to "defend and reform the rules-based international order - the system of laws, agreements, principles, and institutions that the world came together to build after two world wars" (Blinken 2022; Kelemen 2022).

This article aims to assess the Rules-Based International Order (RBIO) and understand Biden's IPS; particularly, it attempts to explore how the Indo-Pacific Economic Framework (IPEF) may impact China's BRI and how China is responding to the escalating strategic competition with the United States.

This study argues that the Indo-Pacific Strategy under Biden, especially the IPEF, represents a strategically important move by the Biden administration to fill the economic void left by the Trump administration by developing a strong economic presence in the Indo-Pacific in order to be able to out-compete China and its BRI and preserve the rules-based international order (RBIO). However, it also argues that RBIO is debatable as sometimes it is violated by the proponents, e.g., Iraq war. The authors further argue that while the IPEF is an important step forward, a long-term US genuine commitment to its implementation to counter China's BRI is essential.

From the Chinese perspective, although China does not seem to be deeply concerned with Biden's IPEF in their official statements, the country is concerned about the growth of IPEF, and it is in Beijing's interest to ensure that Biden's Indo-Pacific strategy would not drive the United States and the ASEAN countries closer economically. This, on the one hand, explains the efforts done by the Chinese government in its response to Biden's IPEF to further strengthen economic cooperation with the ASEAN region via the BRI. On the other hand, in showing their keenness to join Biden's IPEF, the ASEAN countries strongly desire to ensure a better balance of power in the region (Seiya 2022; Siow 2022).

The methodology of this research is primarily based on secondary literature and official documents. An in-depth analysis is done based on the data obtained.

This paper begins by providing a brief assessment of the rules-based international order built by the US and its partners. It is followed by a discussion of how President Biden is shaping

<sup>&</sup>lt;sup>1</sup>At its simplest, the "Belt and Road Initiative", which is formerly known as "One Belt One Road", is a massive infrastructure building and development project launched by the Chinese President Xi Jinping in 2013. The BRI has since become synonymous with Chinese foreign policy under Xi.









the Indo-Pacific strategy, concentrating on the emergence of the IPEF. Some analysis will be made on China's response to Biden's Indo-Pacific strategy, particularly the IPEF. The paper concludes with a discussion of the implications of an irreversible shift of deteriorating US-China relations, which is characterized by a fundamental clash between a determined US leadership aiming to preserve the rules-based international order and an increasingly confident Chinese leadership striving to expand its economic influence in the Indo-Pacific/Asia-Pacific region.

#### THE US RULES-BASED INTERNATIONAL ORDER: A BRIEF ASSESSMENT

The origin of the "rules-based international order" that Secretary Blinken vowed to defend and reform could be traced back to the Second World War when American President Franklin D. Roosevelt and British Prime Minister Winston Churchill aimed to map out the features of a new international order that would replace the one that was being swept away by the destructive World War. Its nature is a liberal world order which was built by the United States and its partners and fleshed out through five main international institutions--the United Nations (UN), the International Monetary Fund (IMF), the World Bank (WB), the General Agreement on Tariffs and Trade (GATT), and the North Atlantic Treaty Organization (NATO) (Parsi 2021).

The emergence of such a new international order following the end of the Second World War can be attributed to two reasons. First, political leaders on both sides of the Atlantic were convinced that constructing a universal, generalist institution to replace the League of Nations was crucial for preserving world peace. Against this backdrop, the United Nations (UN) was founded. As the second international organization in the 20th century, the UN emphasizes ensuring collective security, formal equality of all states, and respect for national sovereignty among its Member States.

Second, the United States and its partners were keen to avoid the repetition of draconian economic protectionism in the form of closed economic blocks in the 1930s (Parsi 2021). Against this backdrop, the Bretton Woods Agreement was reached at a 1944 summit in New Hampshire, USA. This agreement established a system through which the gold standard was used to create a fixed currency exchange rate and facilitated the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), known today as the World Bank.

Still, the problem is that there is no universally accepted or clear-cut definition of a rules-based international order, as there is no agreement on which rules and whose rules this rules-based international order should be. Such a rules-based international order can be debatable: who sets the rules? Do those rules represent or serve the interests of specific groups of nations? The established rules based on ethics, equality, and justice can enable a fair and just international order and the legitimate rights of all nations worldwide.

However, as G. John Ikenberry aptly suggested, the post-WWII international order is "a more general and long-standing set of ideas, principles, and political agendas" than just a creature of American hegemony (Ikenberry 2018, 9). Therefore, as this rules-based international order is not supposedly an American hegemonic project, it is implied that the emphasis of this international order should be placed on the sovereign equality of states under international law,









maintenance, and promotion of international peace as well as multilateralism. Marise Payne, the Australian foreign minister, has also suggested a list of "three fundamental parts of the multilateral system", including:

i) the rules that protect sovereignty, preserve peace and curb excessive use of power, and enable international trade and investment; ii) the international standards related to health and pandemics, transport, telecommunications, and other issues that underpin the global economy, and which will be vital to a post-Covid-19 economic recovery; and iii) the norms that underpin universal human rights, gender equality and the rule of law (Scott 2020).

Although the rules-based international order (RBIO) seems moral in concept and should be accepted, in reality, this is not being implemented by the RBIO proponents, the United States, and its allies. From a non-Western or Chinese perspective, it is a Western system since the Western countries led by the US set the rules. RBIO is pledged to respect a state's sovereignty and human rights but is widely claimed to have been violated by the US and its allies in Iraq.

While China is expected to abide by this multilateral world order, leaders in Beijing do not see this international system as acceptable to China because it is being dominated by the United States economically, militarily, and politically (Mearsheimer 2019). China's attempt to influence international norms, standards, and conventions is evidenced by the presence of Chinese nationals at the head of a wide range of UN agencies during the past few years. Chinese representatives lead four of the 15 specialized agencies and groups under the UN, including the Food and Agriculture Organization, the International Civil Aviation Organization, and the International Telecommunication Union. China has signed a Memorandum of Understanding to support the Belt and Road Initiative infrastructure projects with 30 UN agencies and institutions, including the UN Industrial Development Organization (Trofimov, Hinshaw, and O'Keeffe 2020). Therefore, in many ways, China has made strides in transforming the UN system "through a combination of deft coalition-building, strategically timed financial contributions, and narrative-shaping efforts" (Lee 2020).

In this context, the biggest challenge facing the United States and its partners in the coming decades "will not be China the rule-breaker, but China the rule-maker" (Leonard 2022). Since Beijing, from a US policy perspective, is gradually attempting to undermine the liberal international order created by the US and its allies, it is of utmost importance to Washington to pay closer attention to China's growing assertiveness and influence on the world stage.

# THE US-LED INDO-PACIFIC STRATEGY UNDER JOE BIDEN: INDO-PACIFIC ECONOMIC FRAMEWORK

Not unlike the Trump administration, the Biden administration, in its 2021 Interim National Security Strategic Guidance, stated that China "is the only competitor capable of combining its economic, diplomatic, military and technological power to mount a sustained challenge to a stable and open international system" (Biden 2021). The Annual Threat Assessment of the US Intelligence Community issued by the Office of the Director of National









Intelligence in February 2022 also highlighted that "China increasingly is a near-peer competitor, challenging the United States in multiple arenas-especially economically, militarily, and technologically - and is pushing to change global norms" (Office of the Director of National Intelligence 2022). This represents a growing consensus in Washington to get tough on China and a fundamental shift in Washington's strategic posture *vis-a-vis* Beijing because, for the first time, China was defined as a "near-peer competitor" in US official documents (Zongyou and Yunhan 2021).

However, while the Biden administration's attitude towards China is familiar to the Trump administration, Biden's overarching approach towards China appears to be an attempt to combine a hard-line approach adopted by his predecessor with a stronger multilateralism approach to cooperate among allies and partners (Mousavizadeh 2022). As such, while emphasizing out-competing China and preserving a free and open Indo-Pacific region, the Biden administration also recognizes that there are still some issues that the US and China could cooperate with, such as climate change and the Covid-19 pandemic (Kuo 2022).

This new China strategy employed by the Biden administration is built on three pillars of "invest, align and compete": investing at home in high-tech and other future-oriented industries, aligning efforts with allies and partners who oppose China's vision of authoritarian-based development, and competing with China to counter Beijing's drive to change the existing rules-based international order (Gerin 2022). With China being singled out by the US as "the only country with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military and technological power to do it" (Blinken 2022), being able to defend American interests and build a US vision for the future by competing with China is of utmost importance and urgency for Washington to reject Beijing's vision and offer developing countries alternatives to China's BRI (Johnson 2022).

With China attempting to pursue a sphere of influence and become the world's most influential power, its coercion and aggression, according to the US government, is most acute in the Indo-Pacific region. However, it is important to note that the objective of the Biden administration is to shape the strategic environment for the United States and its allies and partners to operate by building a balance of influence in the world rather than changing China (White House 2022c).

In this context, the Indo-Pacific strategy employed by President Biden is different from his predecessor in two unique ways. First, Biden's Indo-Pacific strategy is focused more on cooperation with regional allies and partners. This is evidenced by Biden's endorsement of the EU Strategy for Cooperation in the Indo-Pacific and increased European engagement in the Indo-Pacific region (White House 2022a). Second, it emphasizes "new approaches to trade that meet high labor and environmental standards", which is known as the Indo-Pacific Economic Framework (IPEF) (White House 2022b; United States Institute of Peace 2022). As "a 21st century economic arrangement", IPEF, according to the White House, is designed to tackle the following:

21st-century economic challenges ranging from setting the rules of the road for the digital economy to ensuring secure and resilient supply chains, to helping make the kinds of major investments necessary in clean energy infrastructure and the clean energy transition, to raising









standards for transparency, fair taxation, and anti-corruption (White House 2022d).

In many ways, IPEF is the attempt of the United States to reinstate its economic leadership and counter China's increasing economic and political influence in the Indo-Pacific region (Forough 2022). In the light of the newly-signed Regional Comprehensive Economic Partnership (RCEP) between China, all ASEAN countries, and some close US allies (Australia, Japan, New Zealand, and South Korea) in November 2020, "Beijing will continue to promote the Belt and Road Initiative (BRI) to expand China's economic, political, and military presence abroad" (Office of the Director of National Intelligence 2022).

Indeed, there is every reason why the US feels the urge to switch back to its Indo-Pacific strategic pivot: the United States is outside of most economic agreements in the Indo-Pacific region, including the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Regional Comprehensive Economic Partnership (RCEP) and Digital Economy Partnership Agreement (DEPA) since its withdrawal from the Trans-Pacific Partnership (TPP) in 2017. Therefore, in this context, this initiative taken by the Biden administration is especially important because the United States never implemented a positive economic strategy for the region following its TPP withdrawal in 2017 (Townshend, Patton, Corben, and Warden 2021).

By attempting to engage the region economically, the Biden administration has established a new, loosely defined regional economic bloc that identifies four major areas: improving supply chains, expanding clean energy, fighting corruption, and advancing digital trade. While the pact is meant to counter China's increasing influence in the region, IPEF allows countries to sign on to individual provisions and initiatives without fully participating in all of those policy areas. This suggests that the Biden administration is sensitive to the reluctance of the Asian countries in the region to choose between the US and China (Harvard Kennedy School Ash Center for Democratic Governance and Innovation n. d.; Strangio 2022).

#### BIDEN'S INDO-PACIFIC ECONOMIC FRAMEWORK: WHAT DOES IT MEAN FOR CHINA?

In an attempt to reduce the economic influence of China's BRI, President Trump initiated the Indo-Pacific strategy in 2017. His strategy's primary focus was strengthening the "Quad" and building security and military alliances among like-minded countries in the Indo-Pacific region (White House 2017). However, fostering closer economic partnerships among the Indo-Pacific countries was not a priority in Trump's Indo-Pacific strategy. The fact that the whole budget of the "Indo-Pacific Economic Vision" launched by the Trump administration, for instance, was only \$115 million means that Trump's economic vision could hardly be considered a counterweight to China's BRI (US Mission to ASEAN 2020).

Realizing the growing economic influence of China in the Asia-Pacific/Indo-Pacific region, the Biden administration has adjusted the US-led Indo-Pacific strategy by placing greater emphasis on comprehensive regional economic cooperation under the newly built Indo-Pacific Economic Framework (IPEF) (Banerjee 2022). This shift from military strategy to economic strategy (IPEF) is a strategically significant move taken by the Biden administration to counteract China's BRI since there is every reason for China to become anxious: IPEF is a more inclusive and









comprehensive strategy employed by the Biden administration for the sake of uniting the economically significant countries in the region (Lew et al. 2021). Nevertheless, the Council on Foreign Relations (CFR) opined that rather than just pointing fingers at the BRI or daunting other countries not to join China's BRI, Biden's Indo-Pacific strategy has to offer something concrete and appealing to the Member States of the Indo-Pacific region. The Council also suggested that the economic pact has to be achieved multilaterally, not unilaterally (Zongyou and Yunhan 2021).

Given that China has extensive economic interactions and stakes in these new IPEF Member States, there is a real possibility that the new US trade pact may make those countries in the region less economically dependent on China and ultimately remove China from the world's top economic position. Perhaps not surprisingly, China considers the pact a threat to its regional dominance and termed IPEF "economic NATO" (Varma 2022; Deccan Herald 2022). According to some Chinese analysts, if IPEF is adopted, it is unlikely to have any noticeable impact on Chinese economic interests immediately. In light of the China-led cooperative mechanisms such as the Regional Integrated Economic Program (RCEP) and the BRI, Chinese policy experts argue that China is better integrated with the countries in the region than the United States (Zongyou and Yunhan 2021).

For instance, many ASEAN countries rely on China for raw materials and intermediate inputs to make finished products, which are exported to the US or European Union (EU). Since 2009, China has been ASEAN's largest trading partner, as ASEAN's exports to China grew at an average annual rate of 10.4% from 2010 to 2019. Since then, China's economic cooperation with the ASEAN region has been gradually deepening, with trade between China and the ASEAN countries growing by 48% in the first six months of 2021, reaching \$140 billion (Association of Southeast Asian Nations n.d.). This accounts for 15% of China's global trade (Singh 2021). While the trade relationship between China and RCEP countries is thriving, close US allies like South Korea and Japan are also inclined to strengthen economic cooperation with China under RCEP (Global Times 2022).

While ASEAN countries were not interested in joining the Indo-Pacific strategy under Trump, Biden has successfully incorporated those countries into the IPEF (Townshend, Patton, Corben, and Warden 2021; Bowie 2022). According to Wang Yiwei, Director of the Institute of International Affairs at the Renmin University of China, some ASEAN members joined IPEF because the US government and technology companies have maintained significant control over many important high technologies such as chips and software, and many of those ASEAN members are concerned about possible US export controls on sales to them (Townshend, Patton, Corben, and Warden 2021; Global Times 2022). However, Gu Xiaosong, dean of the ASEAN Research Institute of Hainan Tropical Ocean University, suggested that IPEF will bring some economic benefits to ASEAN members with investment and trade. Vietnam, for example, could enjoy some "policy bonuses" under the pact, as it helps strengthen its textile and digital exports to the US. Vietnam, "as a country with a large market, and Malaysia, as a country that is good at chip production, could be used by the US to develop relevant supply chains to offset China's supply chains", as suggested by Gu (The Week 2022).

Nevertheless, the United States and its allies have lagged significantly behind China in terms of economic ties with countries in the Indo-Pacific region. As discussed earlier, China has









become a dominant trading partner with ASEAN since 2009, accounting for over 20% of Southeast Asian trade, which is far ahead of the US (Chen and Chen 2022). Therefore, Beijing is convinced that Biden's new economic strategy is Washington's attempt to force more countries to take sides with the US. Rather than bringing economic advantages to the countries in the region, Biden's IPEF, in the eyes of Beijing's leadership, will trigger more division and instability among the ASEAN members by pushing the region "over the edge of an abyss" (Global Times 2022b). Therefore, perhaps not surprisingly, while Joe Biden made his first trip to Asia as US President, Chinese Foreign Minister Wang Yi criticized the US "for creating the IPS to form small cliques in the name of freedom and openness", and highlighted that "[f]acts will prove that the so-called 'Indo-Pacific strategy' is essentially a strategy for creating divisions, a strategy for inciting confrontation, and a strategy for destroying peace" (Bloomberg News 2022).

As the Chinese Foreign Minister concluded, "The US attempt to form closed and exclusive cliques", as the Chinese Foreign Minister suggested, "is doomed to fail" (Bloomberg News 2022; Xinhua 2022). It is not too difficult to imagine that Beijing perceives the pact as a threat to its regional dominance. Therefore, along with promising more opening up to the ASEAN countries, Beijing emphasized offering higher cooperation to the Indo-Pacific region with better Belt and Road Initiative (BRI) projects and investments to neutralize the US new economic pact IPEF (NDTV 2022). While Beijing seems critical and dismissive of Biden's Indo-Pacific strategy, especially the IPEF, gauging Chinese leaders' perceptions and opinions concerning China's counter-strategy to the US can be difficult because there are few tangible ways to measure the opinions of Beijing's leaders. Hence, apart from judging the remarks of Chinese government officials, opinions expressed by Chinese scholars are considered important because they can reflect and even exert their influence in the decision-making processes of the Chinese government.

According to some Chinese scholars, the Indo-Pacific strategy will harm China's security environment, as an increased US participation in China's neighborhood could produce a "fourseas linkage" conundrum, bringing together tensions over the South China Sea, the Taiwan Strait, the East China Sea, and the Yellow Sea (the Korean peninsula) (Grandview Institution 2018). Furthermore, Washington's advocacy of the Indo-Pacific strategy would result in ongoing and escalated regional arms contests, notably in naval weaponry (Wei 2013).

On the other hand, some other Chinese experts argue that Biden's Indo-Pacific strategy will have little impact on China's BRI because IPEF is still conceptual and has few real substances. These scholars suggested there are some flaws and weaknesses in the implementation of Biden's strategy. First, critics argue that the US lacks the strength and resources to unilaterally pursue the Indo-Pacific strategy (Trubowitz and Harris 2019). Second, the Indo-Pacific strategy is just a regional policy initiative that lacks a distinct economic character and the ability to counter China's expanding economic power (Zhang 2018; Ye 2015). Third, other countries in the region are not necessarily staunch supporters of the US-led Indo-Pacific strategy: they could not present a unified stance on the future of the regional order, its capabilities, and its desire to engage.

However, using carrots and sticks, another group of Chinese scholars is convinced that China could foster closer bilateral relations with countries in the region, thereby undermining Biden's Indo-Pacific strategy and its intent to contain China's rising influence. Therefore, to









divide and disrupt US alliances and partners in the region, China has actively adopted coercive and reassuring tactics against specific countries (Zhang 2018).

In a nutshell, as the Biden administration's Indo-Pacific Economic Framework is still evolving, there have been no concrete policy measures taken by the Chinese government in responding to Biden's Indo-Pacific strategy. Nevertheless, while the US Indo-Pacific strategy under Biden has not significantly impacted China's BRI so far, the inevitable clash between China's BRI and the US-led Indo-Pacific strategy will remain a key characteristic of the long-term strategic competition between Washington and Beijing.

#### CONCLUSION

After exploring the relationship between the US Indo-Pacific strategy, China's BRI, and the escalating US-China strategic competition, there are three important conclusions to draw from this analysis. The first is that the ultimate objective of the US Indo-Pacific strategy from Trump to Biden is to ensure that America would retain its leadership role in enforcing the rules-based international order. This explains the US's continued efforts, under Presidents Trump and Biden, to counterbalance China's promotion of the Belt and Road Initiative (BRI) by introducing the Indo-Pacific strategy, as the US feels compelled to challenge China's geoeconomic dominance through the BRI.

The second conclusion is that the effectiveness of the US Indo-Pacific strategy under Biden as an economic counterweight to China's BRI hinges on the genuine long-term commitment of the US leadership to conducting a multilateral and comprehensive Indo-Pacific strategy. While the Biden administration has been trying to engage with the countries in the region economically, ASEAN countries tend to maximize their economic benefits and minimize security threats by integrating China's BRI with the US-led Indo-Pacific strategy (Wu and Colombage 2019). Therefore, guaranteeing the endorsement of allies and partners in the region in constructing a US-led regional economic community is fundamental for the US to maintain its influence in the Indo-Pacific region.

The third conclusion to draw is that although the Chinese experts and officials tend to be critical and dismissive of Biden's IPEF, Beijing's reaction to Biden's efforts to particularly pursue a further closer economic partnership with and provide more economic incentives to countries in the Indo-Pacific/Asia-Pacific indicate that China sees the potential impact of IPEF on Beijing's continuous economic influence as an ongoing concern. The fact that the Biden administration has proposed more than \$25 billion in spending, including \$15 billion of proposed investment in the infrastructure sector and \$9 billion for strengthening US defense preparedness in the Indo-Pacific (The Hindu 2023), is indicative of Washington's determination to develop its economic presence in the region by filling up the economic void left by the Trump administration. Consequently, the rivalry between Biden's IPEF and China's BRI raises the risk of rapid and irreversible damage to US-China relations, which will ultimately lead to new groupings in the region, leading to a new cold war or new world order.









#### **COMPLIANCE WITH ETHICAL STANDARDS**

# Acknowledgments:

Not applicable.

### Funding:

Not applicable.

# **Statement of Human Rights:**

This article does not contain any studies with human participants performed by any authors.

# Statement on the Welfare of Animals:

This article does not contain any studies with animals performed by any authors.

#### **Informed Consent:**

Not applicable.

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