



Hegemonic Transition and Global Alignment

Navigating Peacetime Competition and Proxy Conflicts in US-China Relations

S T R A T E G I C I N T E L L I G E N C E B R I E F I N G

Jesse James

[linkedin.com/in/jessecares](https://www.linkedin.com/in/jessecares)

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Executive summary

The international system is shifting from US unipolarity toward a polycentric hierarchy dominated by US-China strategic rivalry. This briefing maps three models — peacetime geoeconomic competition, foreign regional proxy war, and the crucible of state survival — to project how 195 nations will calculate their loyalties through 2030. The central finding: alliance structures built on coercion rather than genuine partnership are structurally brittle. When a rising challenger exposes the established hegemon's vulnerabilities, the cascade of realignment accelerates faster than any diplomatic framework can contain.

Key findings: China controls 98% of global gallium supply and the vast majority of rare earth processing. US stockpiles would deplete within weeks of a total Chinese export ban. Trust in the US among key Indo-Pacific allies dropped 20 points in a single year to 36%. A slim majority (52%) of Southeast Asian policy elites would now align with China over the US if forced to choose.

1. The structural dynamics of the new era

The international system is currently undergoing a profound structural transformation, shifting irrevocably from an era characterized by uncontested United States unipolarity toward a complex, polycentric hierarchy dominated by the strategic rivalry between the United States and the People's Republic of China. This transition has systematically dismantled the post-Cold War consensus, replacing the foundational assumptions of a liberal, rules-based international order with a volatile environment defined by great power competition, geoeconomic fragmentation, and the pervasive weaponization of global supply chains.

The central theoretical and practical question governing international relations in this epoch is no longer whether China possesses the capacity to challenge the United States, but rather how the mechanics of this challenge will manifest across different states of geopolitical friction. Critically, this inquiry must address how the global community of nation-states will calculate their loyalties, alliances, and ultimate survival strategies in response to a shifting balance of power.

This analysis investigates the Sino-American relationship through three distinct but deeply interconnected models: **Peacetime Geoeconomic Competition**, **Foreign Regional Proxy War**, and the ultimate **Crucible of State Survival** that dictates shifting global loyalties. The underlying premise is rooted in the stark, realist reality of state behavior: nation-states operate fundamentally out of perceived self-interest, with the primary drive being regime preservation and territorial survival.

As strategic competition accelerates, traditional alliance frameworks face unprecedented stress testing. The prevailing global sentiment toward the established hegemon has grown increasingly fractured and resentful. Years of unilateral foreign policy, transactional diplomacy, protectionist economic measures, and extraterritorial legal enforcement have severely eroded the reputational capital of the United States.

Consequently, when a rising challenger demonstrates the tangible capability to counter the hegemon and expose its vulnerabilities, it shatters the aura of unassailable invincibility. This can trigger a sudden, irreversible cascade of realignment as middle powers pivot toward the rising power to secure vital resources and position themselves within the new geopolitical order.

2. Theoretical framework: hegemony, sentiment, and alliance reliability

2.1 The psychology of hegemonic decline

A recurring theme in contemporary geopolitical analysis, supported by extensive international polling, is the perception of the United States as an increasingly erratic, domineering, and hypocritical actor. The pursuit of "America First" policies, combined with aggressive secondary sanctions, weaponization of the US dollar, and broad tariff applications — such as the sweeping "Liberation Day" tariffs of 2025 — have deeply alienated both traditional partners and emerging economies.

This resentment is quantifiable. According to the **2025 Lowy Institute Poll**, trust in the US plummeted to a historic low among Indo-Pacific allies like Australia — only **36 percent** expressing any trust, a 20-point drop in a single year. Nearly two-thirds of the Australian public hold "not very much" or "no trust at all" in the US. A comprehensive **ISEAS-Yusuf Ishak**

Institute survey revealed that if forced to align, **52% of Southeast Asian policy elites would now choose China** over the United States.

When a dominant power is perceived as arrogant and self-serving, its alliance structure becomes purely transactional and inherently brittle. If a challenger successfully exposes the hegemon's vulnerabilities, the illusion of absolute power evaporates overnight, triggering cascading defection among allied states.

2.2 The dependency imperative

While sentiment shapes peacetime interactions, survival dictates crisis behavior. The operational principle: the **substitution matrix**. Feelings and alliances matter when variables are equal, but become irrelevant when a state has a metaphorical "gun to its head" — absolute dependency on unsubstitutable goods required for economic functioning, public health, or military defense.

3. The matrix of unsubstitutable dependencies

3.1 China's dominance: critical minerals, hardware, and APIs

China controls the vast bulk of rare earth output, refining, and permanent magnet manufacturing — the physical foundation for EVs, wind turbines, robotics, and military systems. China holds roughly **98% of global gallium supply** and dominates germanium, antimony, tantalum, and manganese.

Atlantic Council scenario modeling indicates a total Chinese export ban on key elements would deplete US stockpiles within weeks, forcing catastrophic trade-offs between defense and civilian manufacturing. Rebuilding processing capacity outside China: a decade or more.

China has also established dominance over **Active Pharmaceutical Ingredients** — the chemical inputs for antibiotics, pain relievers, and life-saving medicines — granting Beijing leverage over the biological security of rival populations.

Table 1: Matrix of unsubstitutable dependencies

Dependency Category	Controlling Power	Substitutability	Strategic Implication
High-End Semiconductors & AI Compute	United States	Low (short-term)	Nations requiring AI/defense computing must maintain US compliance.
Global Financial System (SWIFT/USD)	United States	Low to Moderate	Secondary sanctions force compliance but accelerate de-dollarization.
Rare Earth Minerals & Magnets	China	Exceptionally Low	Complete dependence for EVs, green tech, military hardware.
Active Pharmaceutical Ingredients	China	Very Low	Population health directly reliant on Chinese supply chains.
Intermediate Manufactured Goods	China	Moderate	Substitution causes severe inflation; China-Plus-One adoption.

3.2 US dominance: finance, IP, and the Entity List

The US maintains hegemonic grip through global financial architecture, dollar clearing, and advanced IP. OFAC and SWIFT enable devastating macroeconomic trauma on any target. In 2025, China placed 28 major US defense contractors on restricted lists, including Raytheon, Lockheed Martin, and General Dynamics — escalating the tit-for-tat regulatory warfare.

4. Peacetime geoeconomic competition and hedging

4.1 The China-Plus-One illusion

US goods exports to China in 2025: **\$106.3 billion** (down 25.8%). US imports from China: **\$308.4 billion** (down 29.7%). But bilateral metrics mask systemic interdependencies. The "China-Plus-One" model has reshuffled geography without reducing dependency — Vietnam, Mexico, Malaysia remain reliant on Chinese upstream inputs. The US imposed **40% transshipment penalties** in 2025 targeting intermediary economies.

4.2 The hedging of middle powers

The European Union

Europe depends on the US for military security (49,000+ US personnel in Germany, 15,000+ in Italy) while being economically bound to China — **26.7% of EU external trade** in 2023, surpassing the US share. US tariff pressure undermines European leverage against Beijing.

The Gulf States (GCC)

Gulf-China trade is projected at **\$325 billion by 2027**. QIA acquired 10% of ChinaAMC. UAE joined BRICS in 2024. The GCC views long-term prosperity as intertwined with Asian markets, actively resisting US demands to sever technological ties.

ASEAN and the Indo-Pacific

ASEAN sits at the epicenter. Cambodia faced **49% initial tariffs** under "Liberation Day." Despite South China Sea anxieties, ASEAN leaders identify erratic US leadership as their primary macroeconomic concern.

Latin America

China is Mexico's second-largest trading partner. Beijing pledged **\$500 billion** in trade with South America by 2025. Mercosur members pursue free trade agreements with China, prioritizing exports over US ideological alignment.

5. Foreign regional proxy war dynamics

5.1 The geography of surrogate warfare

Direct US-China war is improbable. Kinetic escalation manifests as proxy wars in volatile third-party states — mirroring Cold War dynamics but overlaid with AI warfare, supply chain fragility, and 21st-century technology. China has already begun utilizing the Middle East as a proxy laboratory through its Iran alignment.

5.2 Scenario modeling

African digital infrastructure inflection point

Fragile states install Chinese social-monitoring systems and information infrastructure. Superficial sovereignty masks effective transformation into extensions of the Chinese state apparatus.

Southeast Asian quagmires

China encourages Cambodia to provoke Vietnam, triggering a military incursion. The US backs Vietnam; China backs Cambodia. The conflict becomes a grinding quagmire exhausting US political capital.

Central Asia and Russian collapse

Russian fragmentation triggers a proxy split: US supports a Western-oriented Saint Petersburg government; China props up a Novosibirsk regime to secure resources and border stability.

Indian Ocean debt trap

China pours infrastructure cash into Sri Lanka, the Maldives, and Djibouti. In exchange for debt relief, these states evict US military assets — altering the Indian Ocean naval balance without a shot fired.

5.3 Late-phase deterrence failure

The critical danger: contemporary defense analysis over-indexes on opening phases. Historical data shows military effectiveness in protracted proxy wars degrades severely. When allies realize the US cannot sustain a long war, loyalty calculations change instantly.

6. The crucible of state survival

6.1 The collapse of the unipolar illusion

When proxy war drags on or the geoeconomic system fractures, the calculus shifts from hedging to primal survival. Sentiment, ideology, democratic values become secondary to: **Who can provide the resources required for state survival?** Nations do not wait for a hegemon to officially collapse — they preemptively realign.

6.2 The cascade of realignment

The "bloody nose" phenomenon: once the bully is exposed as weaker than anticipated, repressed resentment manifests as rapid collective defection. If a country's hospitals will run out of APIs and its energy grid will fail without Chinese rare earths, it will abandon the United States regardless of historical affection.

7. Predictive models for 2030

Table 2: 2030 escalation scenarios

Escalation Model	Global Structure	Economic Paradigm	State Loyalty Dynamics
Minimum (Networks)	Polycentric Coexistence	Selective Decoupling	Fluid hedging; states maintain ties with both powers.
Medium (Blocs)	Neo-Cold War	Fragmented Supply Chains	Painful polarization; states forced to choose ecosystems.
Maximum (Rupture)	Proxy Warfare	Total Blockades	Rapid defection cascade; states abandon the US.

7.1 Minimum impact: the Networks model

Conflict avoided. Selective decoupling becomes the norm. Middle powers thrive via a "middle path," absorbing US security guarantees while maximizing Chinese trade. No single nation commands exclusive loyalty.

7.2 Medium impact: the Blocs model

The world splits into competing blocs. China restricts rare earth exports; chronic shortages hit Western defense and medical sectors. Neutrality becomes exceptionally costly. US allies cooperate purely from fear.

7.3 Maximum impact: the Systemic Rupture model

Total failure of guardrails. The US sanctions Chinese financial institutions from SWIFT; China severs all critical exports. Maritime trade severely disrupted. States in the Indo-Pacific, Africa, and Latin America engage in rapid defection, bandwagoning with Beijing. The post-WWII liberal order collapses.

The structural conclusion: alliance architectures built on coercion rather than partnership are inherently fragile. The US cannot simultaneously alienate partners through unilateral tariffs and expect unconditional loyalty when China offers tangible economic alternatives. The dependency matrix — not sentiment — will determine the shape of the 2030 world order.

Jesse James

Strategic Intelligence · iPurpose × 주체강
linkedin.com/in/jessecares

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