

The Shifting Global Order: China's Challenge to U.S. Hegemony in the Indo-Pacific

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Abstract

This research paper explores the shifting global order by examining China's growing challenge to U.S. hegemony in the Indo-Pacific region. It explores how China's economic diplomacy especially the Belt and Road Initiative, alongside expanding diplomatic engagement and military modernization, is reshaping regional power dynamics. Collected the data from policy documents, and scholarly literature, this study argues that while the United States retains significant advantages through its alliance networks and military strength but, China's rising influence has created a contested strategic environment. The paper concludes that the Indo-Pacific is moving toward a prolonged phase of competition marked by hedging, multipolarity, and strategic uncertainty rather than outright power transition.

Introduction

The Shifting Balance of Power in the Indo_Pacific

China's rise has dramatically changed the balance of power in Asia. Today the Indo-Pacific – home to over half the world's residents and nearly two-thirds of global GDP – is seen as the epicenter of strategic struggle (Kruijf & Tursun, 2025). While the United States still maintains a comparative lead (e.g. in military spending, cultural influence and networks), China has pointed the gap (Sato et al, 2023). China now exceeds the U.S. in GDP on a purchasing-power-parity (PPP) basis and is projected to overtake U.S. GDP in nominal terms within a decade (Hanania, 2021). Its population (1.4B) is over four times that of the U.S. (330M) (Hanania, 2021). In spite of this, the U.S. continues to outspend China on defense (roughly US\$778B vs. \$252B in 2022) (Hanania, 2021). In short, Beijing's economy and influence are surging even as Washington still holds traditional military and institutional advantages.

Strategic Rivalry and the “Thucydides Trap” in the Indo_Pacific

This period has often been compared to a “Thucydides Trap” situation, where a waning hegemonic (U.S.) worries a growing power (China) (Ruiz, 2025). Chinese analysts view U.S. initiative in Asia (such as the “Free and Open Indo-Pacific” concept) as geostrategic moves to restrain China (Eliot S. Ji, 2024). Indeed, over the past decade Washington has prominent alliances like the Quadrilateral Security Dialogue (Quad) and AUKUS to strengthen its regional position, openly to “prevent China from establishing new, illiberal spheres of influence” (Eliot S. Ji, 2024). Middle powers – India, Japan, Australia and Southeast Asian states – are caught between these two visions. Many are hedging: for example, Japan and

India support an “Indo-Pacific” structure to steadiness China’s authority, while at the same time looking for Chinese markets (Eliot S. Ji, 2024).

Competing Orders: China’s Economic Statecraft and Strategic Ambitions

At the same time, China has pursued its own “order-building” through economic statecraft. Its Belt and Road Initiative (BRI), now involving over 150 countries, has dedicated roughly US\$1.175 trillion in road and rail network funding by end-2024 (Cheng, 2025). Such deal aims to develop a network of railways, ports and energy projects that increase out Beijing’s control. at the same time, China has built an Anti-Access/Area-Denial (A2/AD) capacity in the Western Pacific and militarized features in the South China Sea to prevent U.S. interference (Latham & Moeini, 2025). In addition, the Indo-Pacific at the moment hosts two competing instructions – a U.S.-led liberal alliance system and a rising China’s sphere of economic and strategic influence. How this competition unfolds will decide whether U.S. supremacy endures, gives way to a Sino-centric order, or yields a new multi polar sense of balance. This paper discussed the up to date literature and data on China–U.S. competition in the Indo-Pacific to review the route of this “shifting global order.” The introduction above has set the scene, a world where U.S. supremacy is no longer unconcealed, and Asian security is hotly contested (Ruiz, 2025).

Research Questions

1. How do China’s economic initiatives in the Indo-Pacific (such as the Belt and Road Initiative) restructure trade and development patterns, and in what ways do these shifts challenge U.S. economic power and hegemony in the region?
2. How are China’s diplomatic and security strategies in the Indo-Pacific (including new bilateral and multilateral partnerships, and military exercises) shifting the strategic alignments of regional states, and how do these changes challenge the traditional U.S.-led security order?

Research Objectives

1. To examine the scope and impact of China’s key economic engagement strategies in the Indo-Pacific (such as the BRI, the AIIB, RCEP, and bilateral development projects) and assess how these initiatives alter regional economic dependencies and challenge U.S. economic leadership.
2. To analyze China’s diplomatic exercises and security initiatives in the region (including diplomatic visits, strategic partnerships, military exercises, and regional institution-building) and appraise how they shift the Indo-Pacific’s balance of power relative to U.S. hegemony.

Statement of the Problem

The Indo-Pacific has long been the epicenter of U.S. strategic control and the liberal international order, with American alliances and institutions reinforcement regional stability. However, China’s sudden rise and practical statecraft have begun to contest this supremacy. China has leveraged its huge economic resources to spread out its influence, for example, the Belt and Road Initiative (BRI) has become “the keystone of President Xi Jinping’s foreign policy and the Chinese Communist Party’s primary method of economic statecraft” (Lindley, 2025). Through such infrastructure and trade initiatives, China is escalating its sphere of influence at the cost of U.S.-backed institutions, prompting fears that it is preparing an alternative order (Lindley, 2025). Along with, Beijing has deepened diplomatic and security ties across Asia–Pacific through new partnerships and regional forums. Analysts explain the competition as an “order-building race,” noting that China seeks to undermine the liberal-democratic framework by nurturing closer ties with like-minded autocracies and increasing its military presence in the Pacific (Chan & Lee, 2025). Regardless of this clear contest, the

clear-cut nature of China's challenge to U.S. hegemony remains under-explored. On one hand, China's economy already rivals the U.S. (by some measures even surpassing it), and its regional closeness gives it advantages in influence (Hanania, 2021). As one judgment warns, China will "assert economic and diplomatic dominance over its own region even if the U.S. maintains or increases its military existence" (Hanania, 2021). On the other hand, scholar's vigilance that China is not seeking absolute global domination but rather aims to "undermine American hegemony and promote a more balanced global order" (Latham & Moeini, 2025). The research problem, therefore, is to take out how China's combined economic and diplomatic strategies concretely influence the balance of power in the Indo-Pacific. In particular, this study must simplify how China's development finance, trade agreements, and diplomatic outreach collectively weaken U.S. influence, identifying both the mechanisms of challenge and the vulnerabilities in the U.S.-led order.

Significance of the Study

This study is significant both academically and practically. The Indo-Pacific region is of enormous strategic significance, It "serves as the powerhouse of the global economy," containing nine of the world's ten major ports and most of its largest militaries (Eliot S. Ji, 2024). Any elementary shift in this region's power dynamics will have far-reaching consequences for global trade, security, and governance. Understanding China's role is therefore vital. As analysts note, China's initiatives (like the BRI) have the potential to "reduce existing U.S. partnerships" and increase its influence over key states (Lindley, 2025). By analytically examining these trends, the research will shed light on how regional countries might realign their policies in response, filling a gap in the literature on great-power competition. For policymakers, the conclusion will inform strategic responses. If China's grand strategy is certainly planned to "undermine American hegemony" within the contemporary international system, then allied governments need clear insight into the tools and tactics Beijing is using (Latham & Moeini, 2025). This study will shed light on whether U.S. allies and partners should emphasize existing alliances (e.g., Quad, AUKUS) or pursue new economic strategies (e.g., alternative infrastructure projects) to maintain balance. By articulating the nature of China's challenge, the research contributes to debates on the future of the liberal order, alliance management, and regional steadiness. In sum, this work provides a full map of the growing Indo-Pacific contest, offering both scholars and decision-makers a deeper understanding of the shifting global order and the strategic stakes for U.S. hegemony (Lindley, 2025).

Literature Review

In his article titled *Shattered Hegemony: The Rivalry between the US and China in the New Era of the Politics of Force*, José Juan Ruiz Gomez (2025) analyze the declining of US-led global power along with the immediate rise of China as a rival superpower. He argued that the international structure is transitioning from cooperative multilateralism to a more disorganized, force-oriented system characterized by strategic rivalry. Employing a five-player game-theoretic model, Ruiz Gómez analyzes the relations among the United States, China, their relevant allies, and neutral nations through strategies of teamwork, conflict, or withdrawal. The results point out that while cooperation provides advantages for both nations, China is poised to acquire greater influence, whereas confrontation incurs unequal costs and exacerbates global wavering. This assessment highlights the increasing importance of middle powers and non-aligned countries in influencing the rising global order, exposé the rivalry not only bilateral but systemic in its implications. In the article titled "China's Challenge to United States Dominance," Regilme (2023) explores the shifting geopolitical environment where China has risen as a significant opponent to U.S. dominance, propelled by its speedy economic growth, escalating global reach through foreign aid, and strategic engagement in

serious areas such as Africa, Latin America, Southeast Asia, and the Middle East. He point out that the post–Cold War order, led by the West, is gradually eroded by systemic disparities and ideological conflicts, which persuade regional players—particularly in the Global South to control this competition to expand their partnerships and strengthen state authority. Regilme emphasizes that China's state-centric, unrestricted aid framework directly challenges the U.S. liberal development model, thereby enhancing its socio-political legality and economic influence in emerging markets. The article concludes by asserting that a broad understanding of the U.S.–China rivalry necessitates a more complicated, regionally nuanced analysis that considers local contexts, the struggles of marginalized societies, and the increasing agency of states in the Global South in redefining global power dynamics. In the article "US Trade Agreements: Out with Old and in with the New?", English (2023) elaborate the renovation of U.S. trade policy, juxtaposing usual free-trade agreements such as the TPP with the recently rising Indo-Pacific Economic Framework for Prosperity (IPEF). She further emphasizes that the U.S. way out from the Trans-Pacific Partnership has allowed China-led RCEP to expand regional dominance, which now oversees a substantial segment of Indo-Pacific deal. English points out that IPEF—designed around trade, provide chains, clean energy, and anti-corruption—represents a conversion from tariff-centric agreements to issue-oriented partnership, even though it does not supply enforceable commitments on the subject of market access. She contends that except the U.S. either rejoins or reformulates widespread agreements like CPTPP, its strategic influence and economic footstep in the region will keep it up in withdrawing as alternatives such as RCEP and the global expansion of CPTPP continue to gain traction. In his writings dated October 20, 2020, regarding the Lowy Institute's Asia Power Index, Su Hao (2020) point out that even as the United States continues to be the most leading nation in the Indo-Pacific region, its relative primacy has remarkably diminished its 10-point advantage over China was condensed by half within a mere two years representing a different alteration in regional power dynamics. He further discussed that this turn down is attributable to both enduring structural changes following the 2008 financial crisis and instant challenges such as the U.S.'s mishandling of the COVID-19 pandemic and internal disturbances. Alongside, China is solidifying its presence in economic, diplomatic, and future resource sectors. Regardless of the United States' attempts to strengthen its Indo-Pacific Strategy throughout partnerships with nations similar to Japan, Australia, India, and Vietnam, Su further explain that America's present inconsistencies make it an untrustworthy partner, while local countries increasingly navigate between the two powers in light of the increasing power balance. In their analysis dated February 26, 2025, Latham and Moeini emphasize that Beijing's overarching strategy is mainly paying attention on withdrawing U.S. global supremacy rather than looking for absolute world supremacy. They further argue that China presently lacks the capacity to directly put back U.S. leadership and instead chooses to wane American influence through not direct approaches such as cheering a multi-polar global order, advocating for multi-alignment diplomacy, and charming regionally without direct ideological clash. The both authors warn alongside characterizing the U.S.–China competition as a "Cold War 2.0," advising Washington to execute a measured strategy of offshore balancing, strategic restraint, and regional reinforcement instead of pursuing a comprehensive containment strategy. Overall, the literature paints a complex picture; China is challenging U.S. hegemony, but not yet overthrowing it. Studies note that, despite China's rise, U.S. institutions and alliances remain strong. The "decline" of the U.S. is occurring relative to an increasingly capable China. Analysts urge caution: many predict a "contest" or "contestability" of regional order rather than complete war.

Research Methodology

Research Design

This study employs a mixed qualitative–quantitative approach. Integrating both qualitative and quantitative research strategies to provide a comprehensive understanding of the evolving power dynamics between the United States and China in the Indo-Pacific region.

Data Collections

The researchers collected data from secondary sources of data, by conducting a comparative case analysis of U.S. and Chinese initiatives. Researchers review policy documents (white papers, speeches, and strategic reports) from both governments to identify stated objectives (e.g. U.S. “Free and Open Indo-Pacific”, China’s “Global Security Initiative”). The researchers analyze quantitative indicators, economic (GDP, trade volumes), military (defense budgets, force deployments), and diplomatic (alliance treaties, voting alignment) to measure relative power. Key data sources include the World Bank, WTO (for trade), SIPRI (for military spending), and the Lowy Institute’s Asia Power Index.

Data Analysis

The researchers apply theoretical frameworks from IR. Realist concepts (balance of power, bandwagoning vs. balancing) guide interpretation of how regional states take action to China–U.S. rivalry. The researchers also consider hegemonic stability theory, which predicts that rising powers may either join or overturn existing orders. A “game theory” perspective, as used in one Elcano Institute study, informs how states choose alliances.

Sources of data collections

The researchers used secondary sources for data collections, (e.g. Lowy Institute, RAND reports, think-tank publications, World Bank, WTO (for trade), SIPRI (for military spending), and the Lowy Institute’s Asia Power Index. To ensure reliability, multiple sources are cross-referenced, for instance, China’s military budget growth is checked against both SIPRI data and Chinese fiscal reports.

Data Analysis

Economic Power

The U.S. and China remain distant apart economically, but the space is narrowing. In 2022, China’s PPP-adjusted GDP was regarding USD 26.6 trillion opposed to the U.S. at USD 22.6 trillion (Hanania, 2021). At market exchange rates (MER), China’s economy is expected to beat the U.S. within the next decade (Hanania, 2021). Significantly, China’s economy has grown-up at approximately 6–8% annually in recent years, outpacing U.S. development (~3%) (Regilme, 2023). Trade data highlight this change, Chinese exports have surged into Southeast Asia, and China’s overall trade with its ten ASEAN partners enlarged by 71% from 2018 to late 2022 (English, 2023). By compare, U.S. exports to Asia have stagnated. A UNCTAD study projects that the RCEP tax reductions will deflect about US\$5 billion per year away from U.S. exporters toward cheaper suppliers in RCEP states (English, 2023).

Economic Leverage: China’s BRI vs. Waning U.S. Influence in the Indo-Pacific

Concurrently, China has particularly prolonged infrastructure reserves through the BRI. According to Melbourne Asia Review, BRI projects in over 150 countries have totaled approximately USD 1.175 trillion by end-2024 (Cheng, 2025). This dwarfs Cold War-era American aid: one approximation notes BRI subsidy already “dwarfs the Marshall Plan” in inflation-adjusted terms (Cheng, 2025). Such capital outlays have substantial effects, countries like Pakistan, Cambodia and Myanmar have deepened economic ties with Beijing, repeatedly coupling it with diplomatic support on issues like the South China Sea or Xinjiang

(English, 2023). On the other hand, U.S. economic commitment has waned; for example, USAID (long a pillar of U.S. influence) has cut back many Indo-Pacific programs, creating “gaps” that China is “stepping into”. In the Pacific Islands, China has launched dozens of climate and infrastructure projects accurately where U.S. aid declined. These trends propose China is gaining economic leverage in many smaller Indo-Pacific states at America’s expenditure (English, 2023).

Military and Security Power

The U.S. still maintains greater military capabilities globally, but China’s regional forces have grown speedily. China’s defense budget stood around USD 230 billion in 2022 (up 7.1% from 2021), while this remains extensively beneath the U.S. budget (~\$778 billion that year) (Regilme, 2023). On the other hand, China’s qualitative upgrades matter: it has further aircraft carriers, enhanced its ballistic missile (A2/AD) arsenal, and built a modern navy. In the South China Sea, China reclaimed about 2,900 acres of land by mid-2015 (far more than any regional rival), stimulating reefs with airstrips and missile batteries (global challenges, 2017). These steps allow the People’s Liberation Army (PLA) to challenge U.S. freedom of navigation. Analysts note China’s military modernization “significantly” enhances its deterrent power near its coast (Letham & Moeini, 2025). In contrast, U.S. forces can still project power globally through bases and carriers, but Washington has sometimes appeared restrained (e.g. no major presence during recent Pacific natural disasters (English, 2023).

Measured Power: U.S. Resilience amid China’s Rise

Overall, quantitative indices demonstrate the U.S. still ahead in complex power. The Lowy Institute’s 2023 Asia Power Index finds the U.S. “remains on top” largely because of China’s recent setbacks (pandemic lockdowns, slower growth) (Sato et al, 2023). The U.S. leads in six of eight measures, as well as economic potential (having regained that top spot). China leads merely in “Diplomatic Influence” for 2022, reflecting its expanding trade ties and aid diplomacy. Remarkably, Lowy analysts concern that “findings suggest China may never tip the balance of power decisively in its favour and displace the United States”. Thus, even with China’s rise, a full Chinese takeover of Indo-Pacific leadership is not assured in the data (Sato et al, 2023).

Regional Alignments

The data expose shifting alliances. On one hand, U.S. security networks remain healthy, Japan and South Korea stay U.S. forces on their soil, and new pacts (Quad, AUKUS) signal closer trilateral collaboration. Countries like Australia and India publicly value ties with Washington (Ashbee, 2023). On the other hand, many states are hedging. China’s offer of economic projects has won support in places like Cambodia and Laos, which have echoed China’s positions diplomatically (English, 2023). Strategicists note that when one power has “preponderance” in a region, neighbors tend to accommodate it. If China achieves clear supremacy in East Asia, some U.S. allies may quietly align with Beijing to avoid clash, even as they publicly maintain security partnerships with Washington. This subtle balancing act is widely documented in the literature (Hanania, 2021).

Conclusion: A Contestable Order and the Strategic Stakes Ahead

In sum, the data paint a contestable order, the U.S. retains systemic advantages (alliance networks, military reach), but China’s economic clout and regional military power are reshaping the Indo-Pacific. Chinese leaders seem pleased to “gradually shift the regional balance of power in its favor” rather than seek outright conflict (Latham & Moeini, 2025). U.S. leaders, however, are increasingly nervous about eroding influence (Ruiz, 2025). Many experts highlight that the crucial outcome will depend not on raw numbers alone, but on

strategy, whether Washington can provide viable security and economic incentives to partners to offset China's pull (English, 2023).

Conclusion

Current evidence shows a shifting, not shattered, U.S.-led order. The United States remains the preeminent power in the Indo-Pacific on most counts (composite power index, global alliances, defense networks). China undeniably challenges this order through economic integration, strategic partnerships, and military build-up. Crucially, most assessments suggest China's rise is outpacing America's – especially in Asia – but has not yet translated into outright U.S. dominance loss. As one think tank notes, China “may never tip the balance of power decisively in its favour”, implying a prolonged period of competition.

For U.S. policymakers, the data imply a need to reinforce both sticks and carrots. Retreating from the region or focusing solely on military displays would cede ground to China. Analysts argue the U.S. must couple its security guarantees with robust economic engagement – for example, rejoining trade pacts like CPTPP or boosting development financing. In practice, this means keeping allies reassured (as in Quad/AUKUS) while also addressing Asian infrastructure and investment needs to close the “China gap”.

In conclusion, the Indo-Pacific's future likely lies in a contested multipolarity. China's rise ensures U.S. hegemony is no longer unchallenged, but neither is a rapid Chinese takeover assured. Regional states will continue hedging between the two powers. The strategic balance will turn on economic trends (e.g. which economy grows faster) and diplomatic moves (which side better meets regional needs). The analysis here shows the U.S. retains significant advantages yet faces real decline in influence due to domestic and policy factors. The shifting order is not yet resolved: future policies by Washington (and Beijing) will determine whether the Indo-Pacific remains largely within the U.S. orbit or becomes truly multipolar.

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