

The US versus China – the battle for global influence

China has managed to 'flip' 13 countries into the China- bloc over the past ten years

- 125 out of 186 countries examined have increased their relative economic cooperation with China at the expense of the US
- Military alignments tend to be stickier than economic alignments and the US retains its military partnership with many countries
- Voting patterns in United Nations point to a political wedge between the West and the rest – but this depends a lot on the subject

Introduction

The power competition between the US and China has become one of the defining geopolitical conflicts of the 21st century, as China has emerged as a major competitor to US global hegemony. Both superpowers seek to shape the international order to suit their national interests.

The ongoing US-China trade war is a prominent component of this competition, but it is far from the only aspect. More broadly, the US and China are competing for control of strategic regions and are seeking to build alliances and align third countries with their respective visions as a means of gaining global and regional influence. This means that countries will face increasing pressure to choose sides as the world moves in a more bipolar direction.

On the right, you can read our four-legged analysis of how the US-China competition is changing global power dynamics and increasing pressure on third countries.

Each segment can also be read on its own.

The global power shift

China's rise is leading to a world divided into two blocs

Both superpowers pursue alliances and partnerships to strengthen their regional and global influence. Our geopolitical mapping shows that China's economic dominance has grown substantially. We find that China has managed to "flip" 13 countries into the China-bloc over the past 10 years.

Go to

Intro

Conflict zones

The US and China are directly or indirectly involved in several global conflicts

In hot conflicts defeated countries are forced to align themselves with the victor. The US and China are often not directly involved in hot conflicts but typically provide indirect support through economic and material assistance. The South China Sea will be the central geopolitical battleground between the US and China in the 21st century.

Go to

Intro

South China Sea

The Middle East

Ukraine

Mineral hotspots

The US and China are competing for control over mineral-rich regions

Strategically important mineral-rich regions are subject to US-China competition as both superpowers seek to secure control over these areas. We find that China has been more successful than the US in securing access to critical minerals.

Go to

Intro

Central Africa

Central Asia

The Andes

Emerging middle powers

The most capable emerging markets have the potential to shift the global balance of power

As the competition between the US and China intensifies, those third countries that are not already closely aligned with one of the two superpowers will find themselves in a hedging paradox. Economically powerful third countries are highly contested given their strategic value. We find that eight highly capable emerging markets are particularly important for the global balance of power.

Go to

Intro

Vietnam

India

Saudi Arabia

Turkey

Indonesia

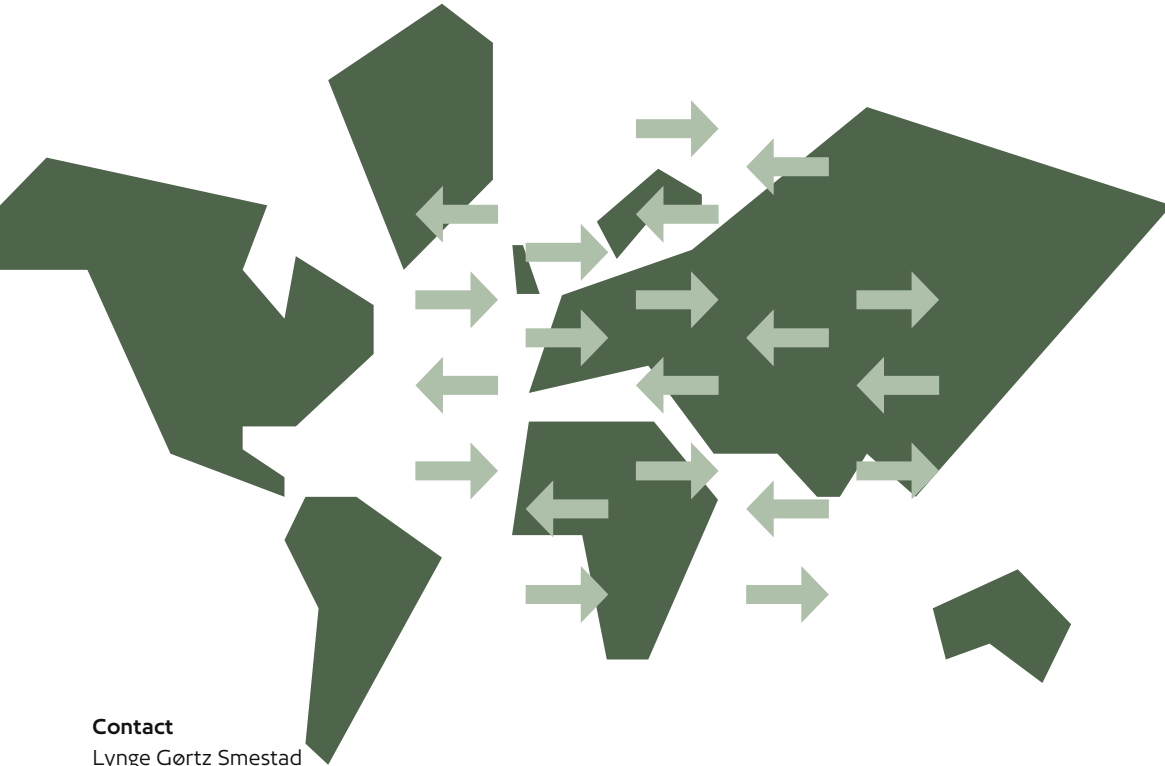
South Africa

Mexico

Brazil

Abstract

The global power shift – a world divided into two blocks



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China and the US are now the world's largest economies and seek to shape the international order according to their national interests. This has led to **competition for markets, resources, and technological supremacy**. This competition takes place in many arenas, including trade – as is evident by the current trade war between the two nations – the military, and multilateral institutions.

Both powers seek to build alliances and align third countries with their respective visions as a means of gaining global and regional influence. The success of these alliances will have a significant impact on the future global order. The power dynamics in countries of key geostrategic importance to both the US and China are particularly important.

While some third countries already align geopolitically with either the US or China, a significant group of non-aligned countries hangs in the balance. This is especially true of emerging markets, which are particularly prone to get drawn into the US-China power competition.

Many third countries seek to adopt hedging strategies attempting to maintain positive relations with both superpowers. While both the US and China have so far shown some tolerance for these hedging strategies, **the space for smaller states to hedge is likely to diminish, as the US-China rivalry intensifies.**

Countries that are strategically important to both superpowers will be subject to intense competition for influence. Smaller countries with weak governance

structures will be more vulnerable to external pressures – and these pressures will increase as the competition intensifies.

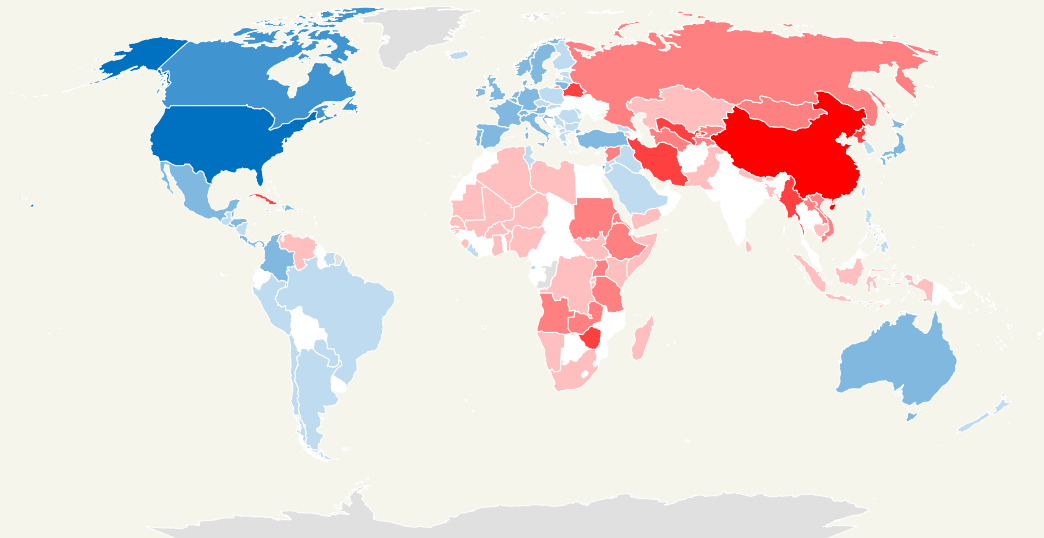
Our geopolitical mapping shows that **China's economic dominance has grown substantially leading to a world that is increasingly characterized as bipolar or multipolar. However, the US remains the dominant global military power, allowing it to maintain its status as the world's preeminent superpower for some time to come.**

In the longer term, demographic challenges such as an aging population could particularly hamper China's ability to maintain its global influence. However, historical patterns suggest that declining nations often become more belligerent and seek to assert their power before it declines further, potentially leading to more aggressive foreign policies.

China's rising gravity is pulling countries into its orbit

2013

Overall alignments



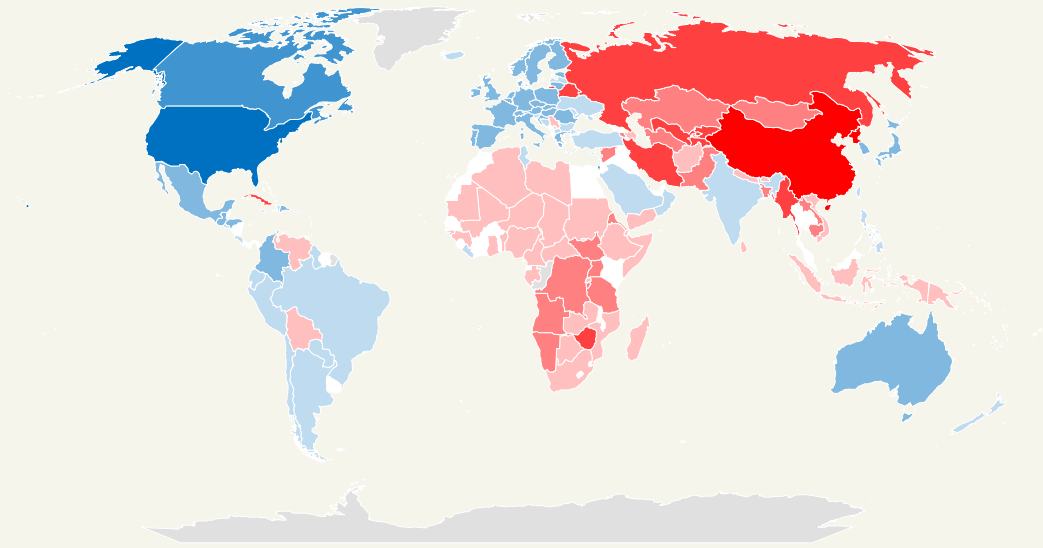
Since economic reforms began in 1978, **China has transformed itself from a predominantly agrarian society to the world's second largest economy** challenging US hegemony. China's leadership is particularly appealing to some developing countries, which see China's approach as more efficient compared to the perceived complexity and demands of Western democracies.

Based on our **three areas of analysis; economic cooperation, military cooperation and policy orientation in the UN**, a clear geopolitical divide between the US and China is apparent. Of the 194 countries examined, 79 can be considered in the US bloc, 72 in the China bloc, while 43 are more or less "neutral", but even neutral countries can lean towards one or the other.

2023

Overall alignments

Blue: Alignment with the US, Red: Alignment with China



China's dominance has increased substantially. In 2013, only 59 countries were in the China bloc, and **China has thus managed to 'flip' 13 countries** on a net basis. The number of neutral countries has diminished from 49 in 2013 to 43 in 2023 suggesting it is getting increasingly difficult to stay unaligned.

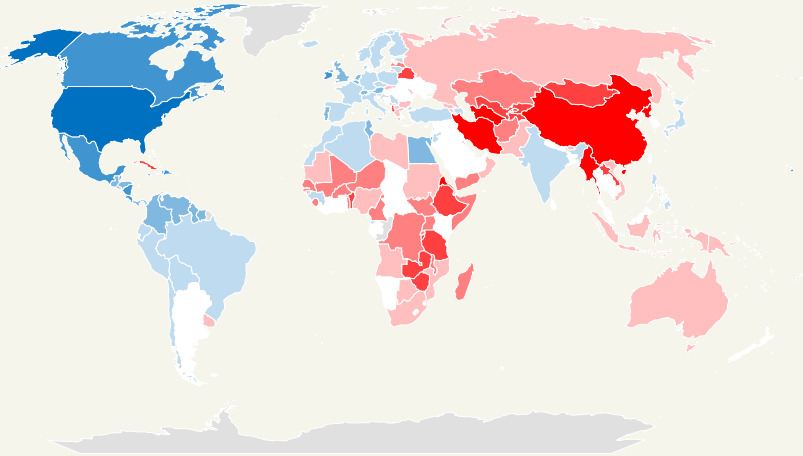
While some key countries and regions, such as Western Europe, Australia, and Japan, are strongly aligned with the US, others, such as Russia and Iran, are strongly aligned with China. However, **several countries are still not fully aligned with either side, particularly low- and middle-income emerging economies in Africa, Asia, and Latin America.** While these countries may lean in one direction, they are often not as firmly anchored in one of the blocs as more developed countries.

The importance of these contested emerging markets to the global order is growing as the power competition between the US and China intensifies and the economic capabilities of these countries grow. As a result, these countries are more vulnerable to being drawn into the US-China competition, which could limit their strategic autonomy. As competition between the US and China escalates, **emerging markets are thus likely to face increasing pressure to choose sides or strike a delicate balance between their economic and security interests.**

More countries rely on China economically

2013

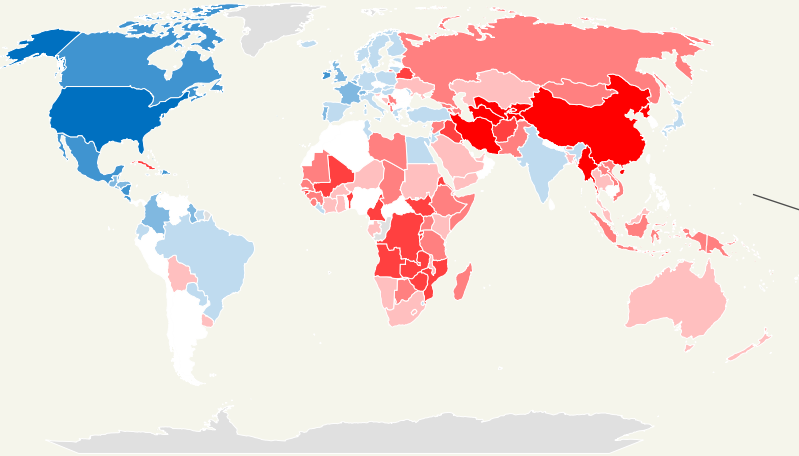
Economic alignments



Blue: Alignment with the US, Red: Alignment with China

2023

Economic alignments



Countries with biggest pro-China change



China's growing importance is especially visible economically. **China is now not only the main trading partner for many emerging markets, but also the biggest investor.** China's economic importance has expanded rapidly in regions like Africa, Asia, Latin America and the Middle East.

Of the 186 countries examined, **125 have increased their relative economic cooperation with China at the expense of the US.** Key to China's rise has been its focus on export-led manufacturing and heavy investment in infrastructure. By becoming the world's largest manufacturer, China has integrated itself into global supply chains. China's Belt and Road Initiative aims to improve connectivity, trade, and communication and is expanding China's power.

Similarly, **emerging markets are increasingly financially dependent on China through commercial and sovereign loans and foreign direct investments (FDI).** Since 2017, **China has become the world's largest bilateral official creditor**, giving it significant leverage in international sovereign debt restructuring negotiations. China's loans are concentrated in sectors such as energy, mining, and transportation.

Facing defaults from several countries with significant Chinese loans, China has adapted its strategy **by increasingly utilizing equity investments through state-owned enterprises (SOEs)** in new transactions.

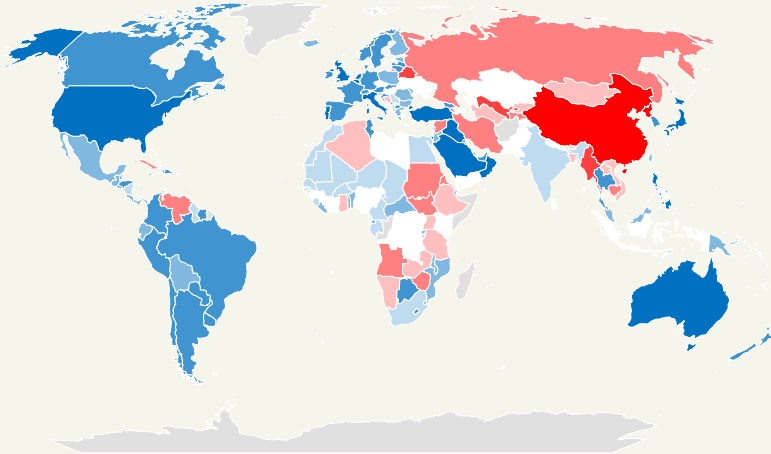
As China's economic importance grows so does its influence on the global financial systems. **China is actively working with other countries to conduct more international transactions in currencies other than the US dollar.** China has reached agreements with countries such as Brazil to use local currencies instead of the US dollar for bilateral trade.

The Trump administration's implementation of tariffs directed at China is arguably an attempt to counter China's rise in global trade. While the tariffs will undoubtedly have a negative impact on the US economy, the Trump administration may be anticipating an even more significant impact on China's economy.

But US is still main military partner

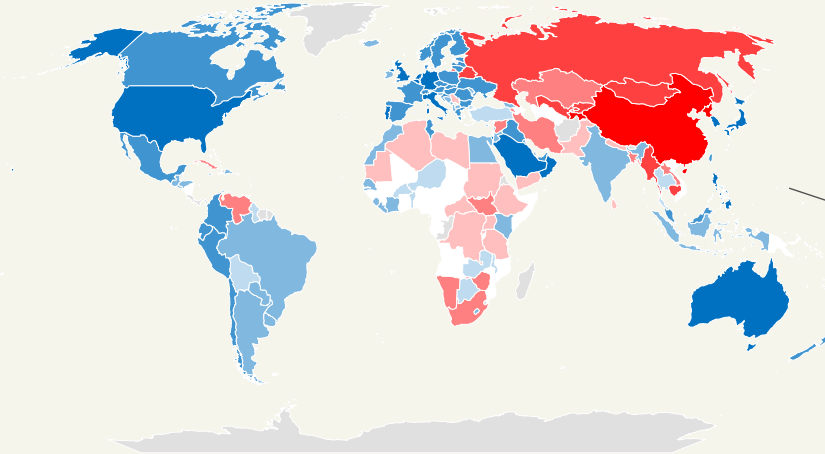
2013

Military alignments



2023

Military alignments



Blue: Alignment with the US, Red: Alignment with China

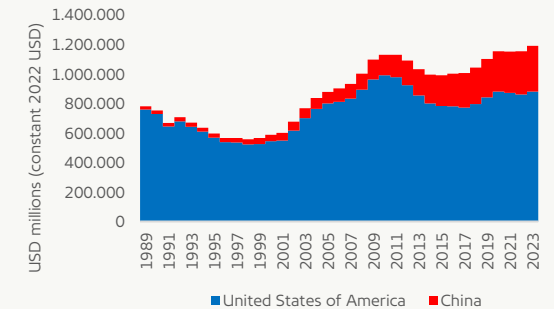
China has not expanded its military impact to the same degree it has expanded its economic impact. In global power politics, China has focused more on economic cooperation and investment, while the US has focused more on the balance of power from a security perspective.

Despite the growing economic interdependence between China and emerging markets, **many emerging markets maintain military alliances or close security ties with the US.** Several factors make it desirable for emerging markets to

maintain close military ties with the US, which remains the world's dominant military power. Military alignment with the US provides access to advanced military technologies, training, and capabilities.

For emerging markets in East Asia, military alignment with the US also provides a deterrent against potential aggressors, including China. For example, countries such as Vietnam and Indonesia have so far managed to maintain close security ties with the US despite growing economic cooperation

US and China military expenditure



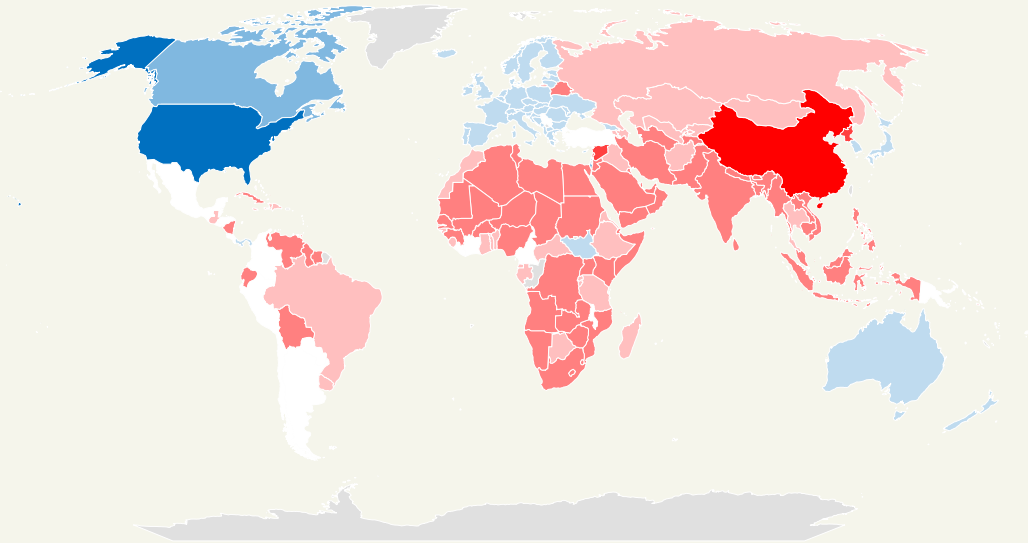
with China. However, **several low-income countries in Africa with less strategic importance have flipped towards China.** The extent to which China will emerge as a serious challenger to US military hegemony in more strategically important regions such as the Pacific remains to be seen.

The number of military realignments *"flipping"* from one block to another is lower than the number of economic realignments, suggesting that military alignments are stickier.

UN voting patterns point to a political wedge between the West and the rest

2013

Policy alignments



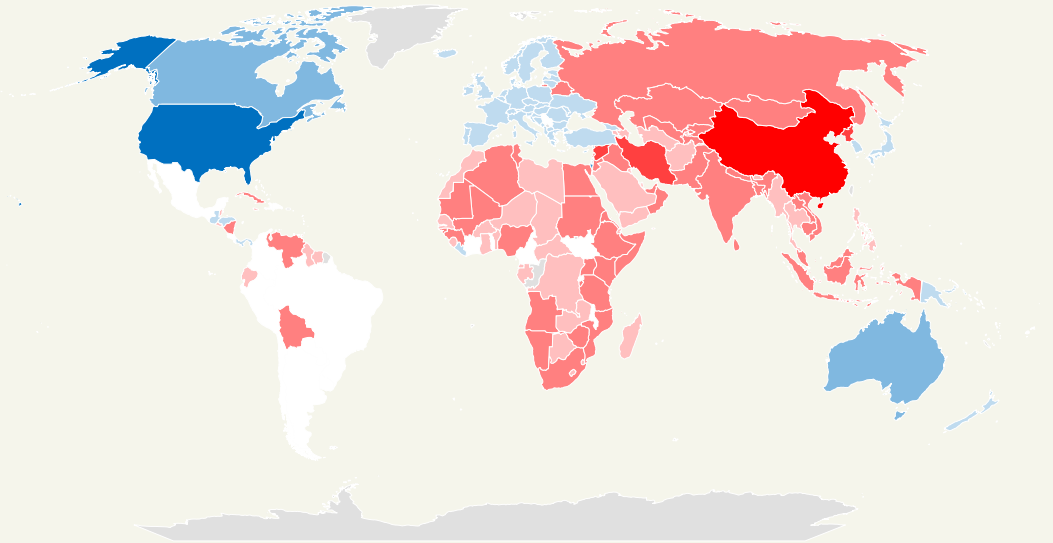
Blue: Alignment with the US, Red: Alignment with China

US-China competition also has a political dimension. As both seek to shape the international order according to their national interests and visions, **China and the US compete for the support of third countries in multilateral institutions and global governance frameworks.**

According to UN voting patterns – the world is largely divided into a Western and a non-Western bloc, with little change over time. The result is a fragmented international order in which consensus on critical global issues is difficult to achieve.

2023

Policy alignments



Despite the fixed political orientations of most countries, the US has probably lost political influence - not because of the realignment of countries, but because of the growing paralysis of international bodies that have historically supported Western visions.

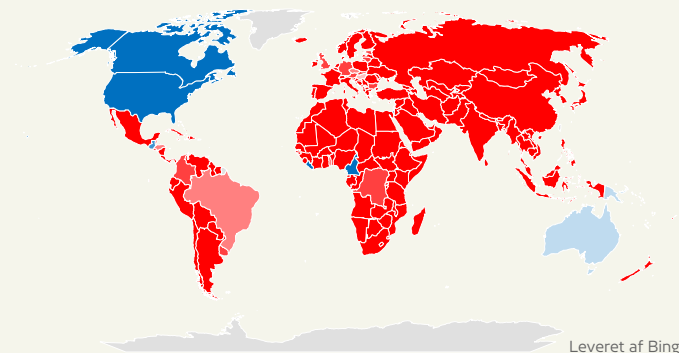
The US remains the largest financial contributor to many international organizations but has adopted inconsistent approaches to international organizations across administrations as public support for active US engagement in world affairs has waned.

At the UN and other international organizations, **China has also strategically placed its citizens in key leadership positions, increased staffing levels, and increased unearmarked financial contributions.** This approach allows China to exert considerable influence over global policy and promote its development model, particularly in the Global South.

But UN voting patterns are less clear when examining specific issues

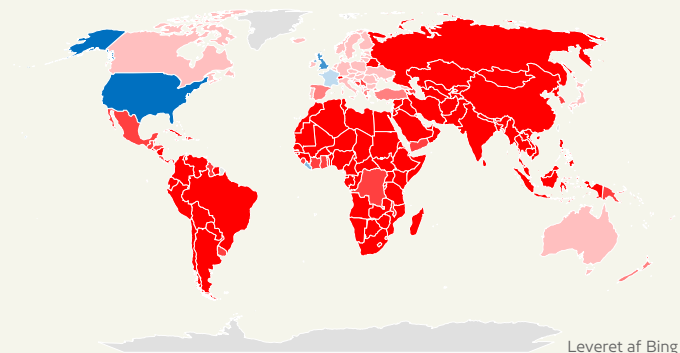
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Palestine / Gaza



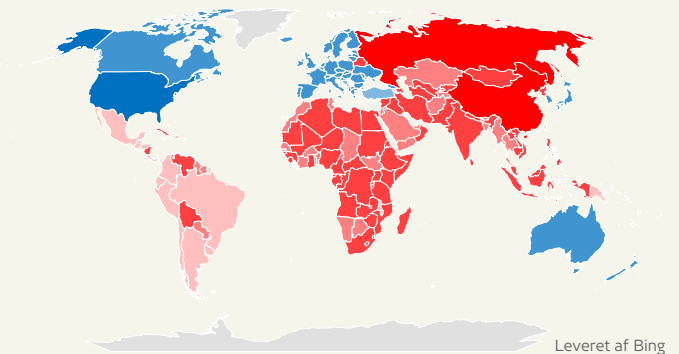
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Decolonization & Self-Determination



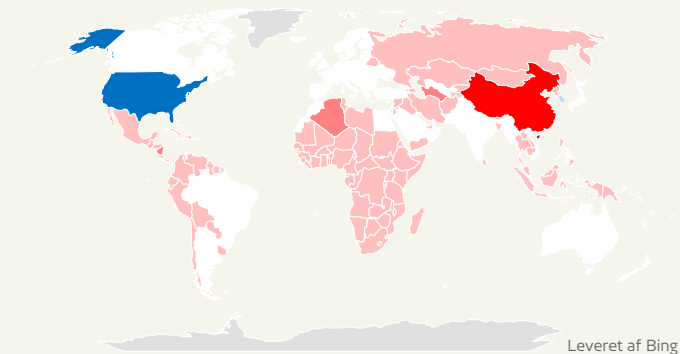
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Human Rights



2023

Disarmament & Arms Control



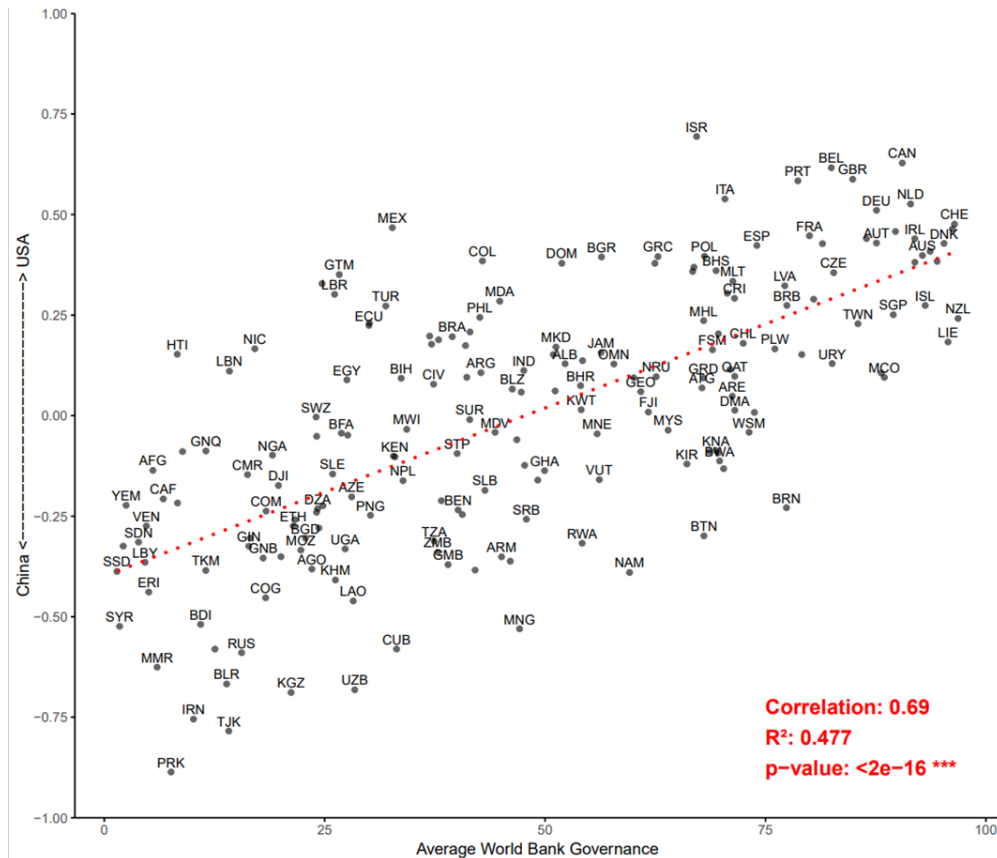
Despite the clear political divide between the Western world and the Global South when examining overall UN voting patterns, **the alignments are less clear when voting patterns are broken down into specific issues.**

For example, while the divide between the two blocs is clear on issues such as human rights, the **West is less clearly aligned on issues such as Palestine/Gaza**, where the US takes a more isolated stance.

Moreover, since Trump's inauguration, the **US has voted against the rest of the Western world in the UN on Ukraine**. This suggests that policy alignments in the UN are not as sticky as economic and especially military alignments.

China is courting countries with weak governance

Overall geopolitical alignment (Y-axis) and World Bank Governance Indicators (X-axis)



Overlaying the geopolitical mapping with the World Bank's Worldwide Governance Indicators reveals that **countries with weaker governance structures in terms of rule of law, corruption, and regulatory quality, among other things, tend to align more closely with China**, while countries with stronger governance structures tend to align more closely with the US.

Countries with weaker governance indicators may have experienced different historical trajectories, including periods of authoritarianism or state-controlled economies, which may make them more receptive to China's approach to governance and development.

Countries with weaker governance may find China's model of engagement more appealing. **China often prioritizes economic partnerships and infrastructure**

investment without imposing strict conditions on governance or political reform. This approach may be attractive to countries whose leaders seek to maintain power or pursue development without external pressure to overhaul domestic institutions.

On the other hand, **countries with stronger governance indicators tend to gravitate toward the US.** These countries may also see alignment with the US as a way to strengthen their own systems by gaining access to Western markets, security networks, and technological advantages that reward institutional strength.

Going forward, the pursuit of technological dominance will shape industrial strategies

In addition to competing for influence in third countries, the US and China are also engaged in a more direct hegemonic competition. In recent years, the US-China tech war has emerged as the primary direct battleground in the global power competition between the two nations. The race to become the world's dominant technological power has led to the rise of industrial policy and protectionism.

The US has increasingly adopted protectionist measures to counter what it perceives as China's unfair trade practices, including intellectual property theft, forced technology transfers, and heavy state subsidies to Chinese companies.

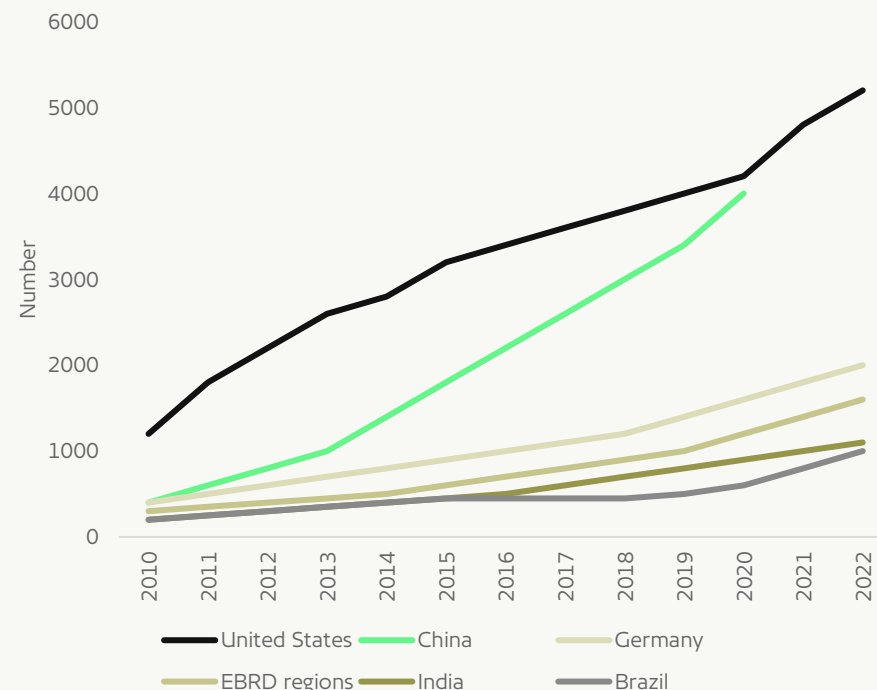
The US has implemented measures such as the CHIPS Act and the Inflation Reduction Act, which include subsidies for domestic industries and restrictions on exports of advanced technologies to China. These measures are aimed at revitalizing strategic US industries, particularly in sectors such as semiconductor manufacturing and clean energy and reducing dependence on Chinese supply.

While certain technological goods are exempt from the Trump administration's latest tariffs, the tariffs appear to be part of a broader strategy aimed at revitalizing the US' technological dominance.

China, on the other hand, continues to use its state-led industrial policy to advance its economic and technological ambitions, seeking dominance in key global industries through significant state support and intervention.

The Australian think tank ASPI estimates that **China leads in 37 out of 44 technology areas**, including energy production, nanomaterials and synthetic biology, while the US leads in the remaining 7 areas, including quantum computing and vaccines. In this context, industrial policy and protectionism are becoming integral tools in the US-China rivalry, underscoring a broader geopolitical contest in which economic policy is increasingly intertwined with national security and strategic interests.

Number of industrial policies in place



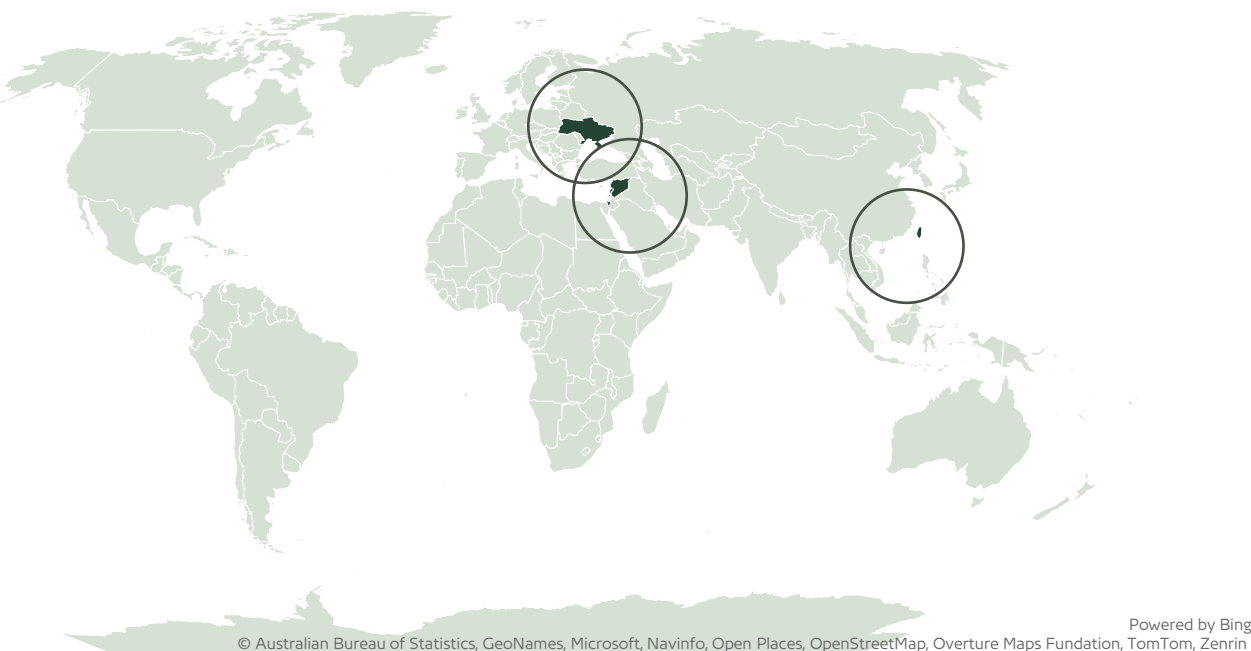
Conflict zones

- The South China Sea is set to be the main central geopolitical battleground between the US and China in the 21st century

Key takeaway

Abstract

Conflict zones



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Several regions are poised to be drawn into US-China competition as both superpowers seek to shape the international order according to their national interests by exerting influence over strategically important regions and countries.

The US and China are directly or indirectly involved in several 'conflict zones' around the world. In these conflict zones the outcome of the conflict can determine countries' future alignments.

The most prominent global conflict zones are the ongoing conflicts in **Ukraine** and the **Middle East**, and the 'cold conflict' over **Taiwan** and the wider **South China Sea**. **Especially the South China Sea is important for both superpowers as it is set to be the main central geopolitical battleground between the US and China in the 21st century.** While China's presence in these conflict zones has increased the US still dominates militarily in these zones.

The competition between the US and China over these conflicts is different from their competition for influence in other third countries. In most third countries, the US and China are using soft power to gain influence. In essence,

the US and China are competing to offer the most attractive package of economic prosperity and security. **It will often be in third countries' interest to give up some autonomy to align with superpowers for security reasons**, although whether the third country ultimately sides with the US or China is, at least to some extent, a function of what the third country believes will best serve its interests.

In hot conflicts, however, defeated countries are forced to align themselves with the victor. The US and China are often not directly involved in hot conflicts but typically provide indirect support through economic and material assistance.

For example, a possible end to the Ukraine war is a scenario where **Ukraine is forced to give up any prospects of joining the NATO-alliance** and/or where parts of Ukraine's territory is taken over by Russia. Both scenarios would force Ukraine away from aligning with the West. Similarly, while **Taiwan is currently clearly aligned with the US**, **if the conflict escalates it could be forced to align with China or ultimately be forced into the PRC.**

South China Sea and Taiwan

The Cold War of the 21st century

Nowhere is the power competition between the US and China more apparent than in the South China Sea. **This region is poised to be the central geopolitical battleground between the US and China in the 21st century.** The area is critical for several reasons, including strategic military positioning, vital trade routes, and significant natural resources.

The South China Sea is not only a major transit route for global shipping—approximately one-third of the world's maritime trade passes through it—but also holds substantial oil and gas reserves beneath its seabed. China views control over the South China Sea as essential for its national security and regional dominance.

Control over the South China Sea has significant implications for the global balance of power and influence. **If China were to successfully assert dominance in the region, it would fundamentally alter the geopolitical landscape,** potentially isolating US allies and partners in the region. The US is deeply committed to maintaining freedom of the seas, which is essential for international commerce and naval operations.

China's assertive territorial claims over the South China Sea, including extensive land reclamation and militarization of disputed islands, have heightened tensions with neighboring countries that have competing claims. The US has responded by conducting freedom of navigation operations to challenge China's claims and reaffirm its commitment to regional allies, particularly through defense agreements.



China's economic dominance is countered by US military partnerships

Economic alignments 2023

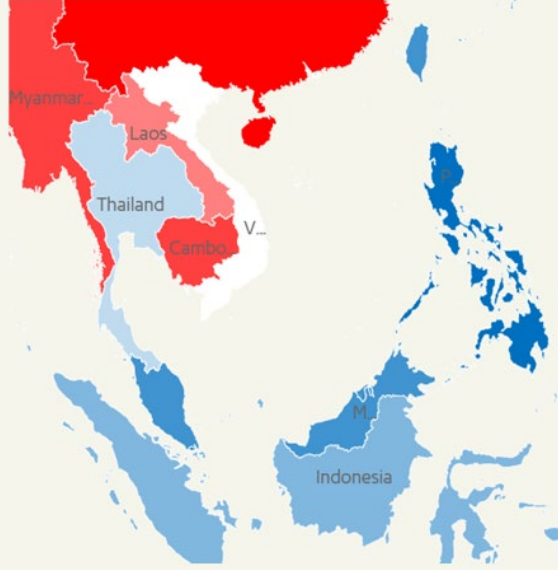


Blue: Alignment with the US, Red: Alignment with China

The **countries of the South China Sea must perform a delicate balancing act** between the two superpowers. Given their proximity to China, the countries are deeply intertwined with China economically. Given China's position as the region's economic powerhouse, the **countries benefit from China's economic growth through trade and investment.**

However, China also poses a threat to the countries' autonomy. Concerns over China's territorial claims and aggressive actions in the South China Sea have led **several countries to seek security partnerships with the US.** This is

Military alignments 2023



particularly true of the Philippines, which has a defense agreement with the US that allows the US to rotate troops into the Philippines for extended stays and to build and operate facilities on Philippine bases.

Most countries in the region, including countries such as Vietnam, the Philippines, Malaysia, and Indonesia, are not strictly aligned with either superpower as they seek to balance their economic and security interests.

Taiwan occupies a unique position in the US-China power competition. Unlike

Policy alignments 2023



its neighbors, **Taiwan faces the constant threat of forcible integration into the People's Republic of China (PRC), which has driven Taiwan into closer alignment with the US.** The US maintains a policy of strategic ambiguity toward Taiwan, providing military assistance but stopping short of formally recognizing Taiwan's independence.

Middle East

A region of many middle powers

Unlike the South China Sea, the Middle East is located far from both superpowers. As a result, the region's relevance to the US-China rivalry is more indirect than in the South China Sea. This also means **that regional players have more room to exercise leadership**. Many countries in the region, including Turkey, Iran, Israel, Saudi Arabia, the United Arab Emirates, and Egypt have regional leadership ambitions.

The Middle East has historically been important to global power dynamics because of its vast oil and gas reserves, which are critical to global energy markets. However, the US has become energy self-sufficient, making it less dependent on the region. For the US, maintaining influence in the Middle East remains important, primarily to counter threats from actors such as Iran and to ensure stability in the region, which is key to global security. The US maintains a significant military presence with bases and partnerships that provide leverage over regional security dynamics.

However, the perceived **decline in US dominance in the region has left a power vacuum and thus more space for both China and regional players**. China is expanding its footprint in the region through significant investments in infrastructure and energy projects under the Belt and Road Initiative.

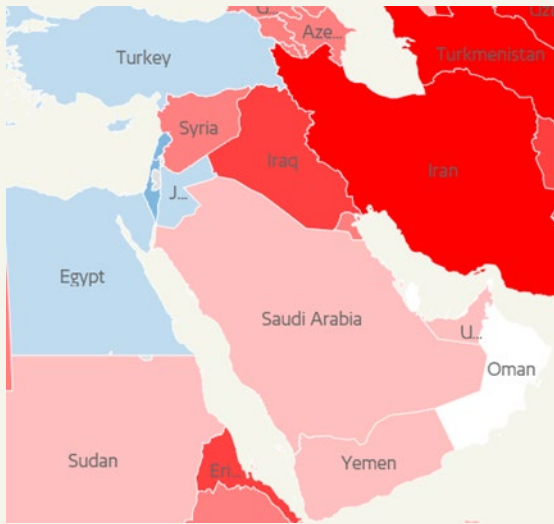
However, **China's role in the Middle East seems more about securing energy supplies** and expanding economic ties, particularly through its Belt and Road Initiative. **China's military presence in the region is limited.**

The Middle Eastern countries see China as an attractive international partner in diplomatic terms because China is seen as a neutral actor that does not take sides and does not make the same demands as the West on issues such as human rights.



China's influence in the Middle East approaches that of the US

Economic alignments 2023

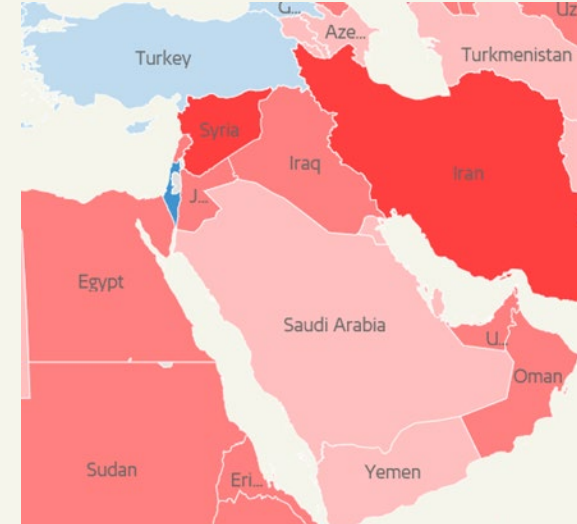


Blue: Alignment with the US, Red: Alignment with China

Military alignments 2023



Policy alignments 2023



China is playing out its increased focus on the Middle East in several ways. First, China is pursuing a strategy of **cultivating closer ties with Middle Eastern countries that have fallen out of favor with the West**, both directly and through close partners such as Russia. China has gained access to energy resources and investment opportunities in countries like Iran and Syria that were largely isolated from Western markets by sanctions. The regime change in Syria makes it difficult to say whether the China alignment will hold.

Similarly, **China is cultivating closer ties with countries with weak**

governance, such as Iraq, as the US has reduced its presence. Given the lack of Western competition, the cost of bringing these countries into the Chinese bloc has been low. As a result, China has succeeded in building a strong wedge of influence stretching from the Persian Gulf to the Mediterranean.

More importantly for the US-China power dynamic, **China has also taken a more assertive approach to building relationships with traditional US allies**. Most of the major energy-exporting countries, such as Saudi Arabia and the UAE, have shifted their economic orientation toward China. While these

countries still have military partnerships with the US, the economic shifts toward China make the power dynamic more complex.

While Turkey, NATO's easternmost member, remains anchored in the U.S. bloc, it has sought to diversify its defense partnerships and reduce its dependence on Western suppliers.

Considering these developments, we find that **China's influence in the Middle East is approaching the same level as that of the US**.

Ukraine

When hot conflicts force alignments

Ukraine has a history of shifting between Eastern and Western alignment. In the post-Soviet period, Ukraine pursued a multi-vector foreign policy, balancing between Russia and the West. Ukraine's foreign policy was inconsistent, with priorities shifting depending on the government in power.

In 2008, at the Bucharest Summit, **NATO declared that Ukraine and Georgia would become members in the future**, though no specific timeline was provided. This, together with the Euromaidan protests in 2013-2014, marked a crucial turn toward the West. These protests began in response to **then-President Viktor Yanukovich's abrupt decision to suspend talks on an association agreement with the EU** in favor of closer ties with Russia.

Spurred on by these developments, **Russia's annexation of Crimea and support for separatists in Donbas in 2014 led to Ukraine's decisive turn towards the West.**

The fragmentation of pro-Russian political forces and territorial losses has weakened Russia-leaning factions in Ukraine. Ukraine's increased cooperation with NATO and aspirations for membership were perceived as undermining Russia's security interests and seen as unacceptable, thus leading to the Russian invasion of Ukraine in 2022.

Given the fact that Ukraine and Russia are at war, the future alignment of Ukraine is not necessarily a function of Ukraine's preferences, as Ukraine could be forced to abandon its orientation toward the West.

For example, a possible end to the war could be a scenario in which **Ukraine is forced to give up any prospects of joining the NATO alliance** and/or a scenario where parts of Ukraine's territory is taken over by Russia or a pro-Russian puppet regime.



Ukraine looks west, Russia leans on China

Ukraine alignment development



Compared to the regional conflicts in the South China Sea and the Middle East, the war in Ukraine is a more geographically contained conflict. It is also different in that it directly involves one of the major regional powers, Russia. Nevertheless, **it makes sense to look at the conflict from a Sino-American perspective.**

This is especially true since the US and the rest of the West have supported Ukraine while **China, through its close partnership with Russia, has supported Russia**, albeit more indirectly. China's support for Russia is driven by several factors, including their shared goal of challenging the current global order and maintaining a strategic partnership.

China has supported Russia by increasing trade with Russia as Western countries have imposed sanctions and by supplying critical goods that help sustain Russia's war effort. Reports indicate that China provides approximately 90% of Russia's microelectronics imports and significant amounts of machinery and dual-use technologies essential for military operations. It is **not in China interest to see Russia defeated**, as this would undermine their common goals and China's own influence in the global arena.

China and Russia are actively promoting non-Western multilateral institutions such as the BRICS forum and the Shanghai Cooperation Organization (SCO) to expand their influence in the developing world. These platforms allow them to challenge Western-dominated institutions and create alternative global governance structures.

After Trump's inauguration, **the US has scaled back its support for Ukraine** somewhat, arguably to try to end the conflict as quickly as possible and to pivot Russia away from China.

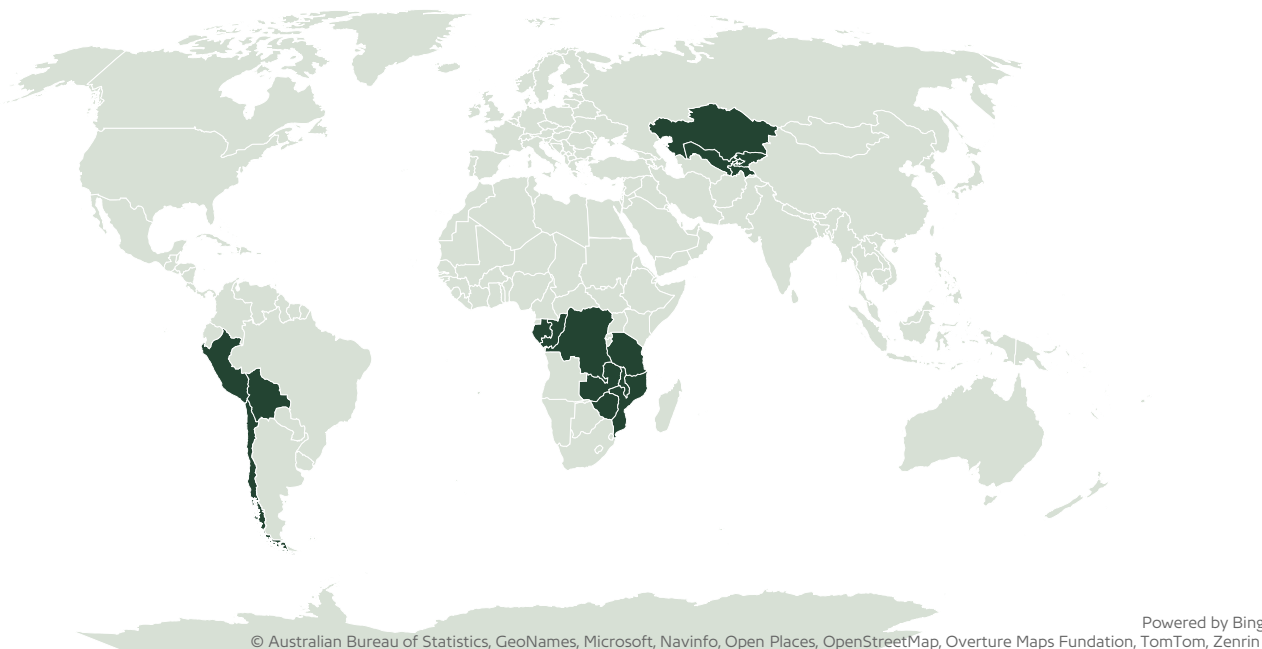
Mineral hotspots

- China has been more successful than the US at securing access to critical minerals putting it in a favorable position to keep its dominance within the global critical minerals markets

Key takeaway

Abstract

Mineral hotspots

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Critical natural resources play an important role in the US-China competition for technological supremacy.

Regions that possess these critical natural resources will have an important role in global supply chains in coming years. Both the US and China are keen on securing control over these 'regional hotspots' that spread over multiple countries in Latin America, Africa and Asia.

As the US-China competition for technological dominance intensifies, securing access to critical natural resources such as minerals will become increasingly important.

Regions that possess these critical natural resources will therefore play an important role in global supply chains in the coming years. Both the US and China are interested in securing control over these "regional hotspots" that span multiple countries and regions.

Critical natural resources are scattered around the world, and both superpowers have access to certain resources within their own territory or through close allies. For example, China has the largest deposits of rare earths and graphite. Similarly, the US has significant deposits of several critical minerals, as does Canada, a close US ally that is fully integrated into US supply chains.

However, many critical minerals must be sourced from other regions where supply chains are more fragile. Many of the **most abundant mineral deposits are in relatively underdeveloped emerging markets with weak governance and high risk.**

Central Africa, Central Asia and the Andean region are three highly resource-rich regional hotspots, which are subject to intense competition between the US and China.

We find that **China has been more successful than the US at securing access to critical minerals.** This puts China in a favorable position to keep its dominance within the global critical minerals markets.

While the US has tried to counter China's dominance through bilateral mineral agreements **the US' efforts are still in early stages compared to China's established control over critical mineral supply chains worldwide.**

Central Africa

A poor region with few economic assets

Central African countries, particularly the Democratic Republic of the Congo (DRC), Zambia, Mozambique, Tanzania, Zimbabwe, and Gabon have vast reserves of critical minerals essential to technology and renewable energy.

The DRC alone is a dominant player, accounting for approximately 70 pct. of the world's cobalt production, a critical component in electric vehicle batteries and electronics. Similarly, **Zambia is rich in copper, while Zimbabwe holds significant lithium reserves.**

Central Africa remains **one of the world's poorest regions** and minerals represents one of its few significant economic assets. However, the region struggles to fully capitalize on these resources due to several factors including insecurity driven by armed militias.

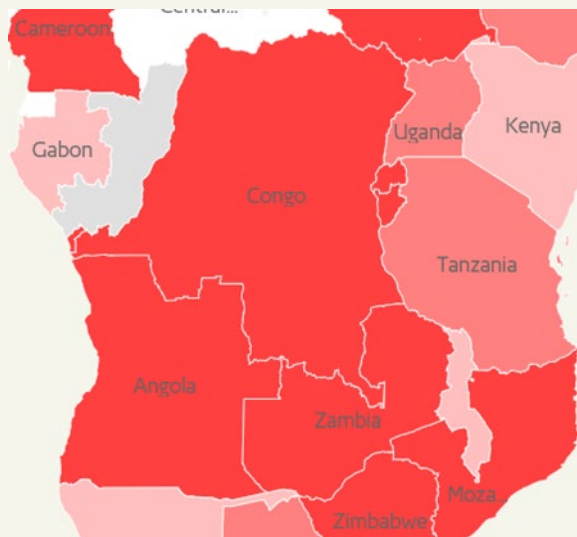
Despite these challenges and through extensive investment and strategic partnerships, **China has established a strong foothold in the region and controls a significant portion of mining operations.** Several Chinese state-owned or state-backed mining companies are present in the region.

This dominance **allows China to secure vital supply chains for critical minerals that are integral to its manufacturing and green energy initiatives.** China currently dominates cobalt processing, with about 70 pct. of its supply coming from the DRC. The **Belt and Road Initiative further enhances China's influence** by facilitating infrastructure development that supports mineral extraction and export.

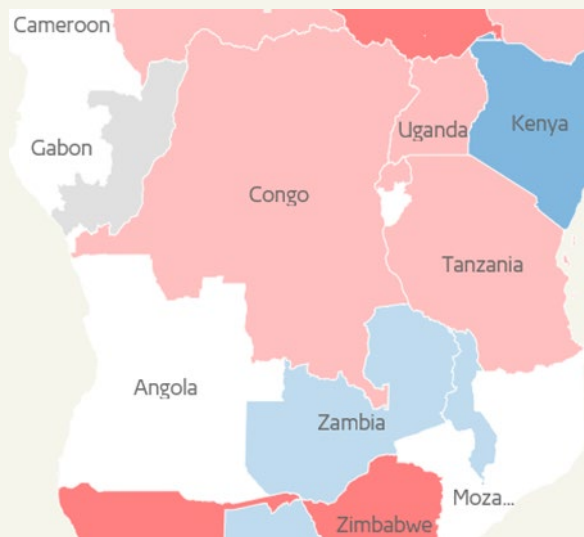


China is ahead of the US, which seem to have no clear strategy

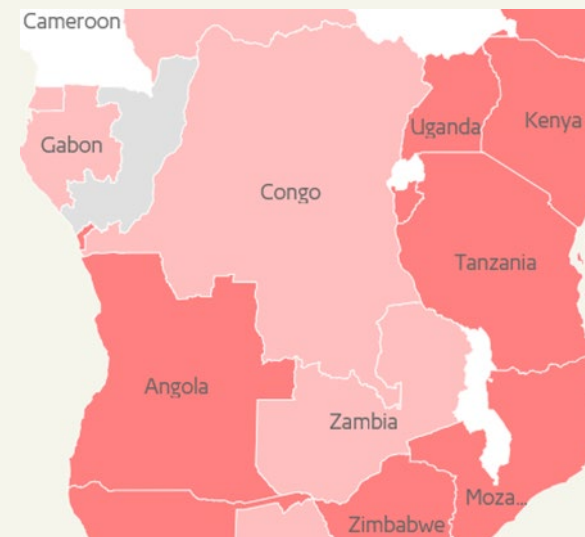
Economic alignments 2023



Military alignments 2023



Policy alignments 2023



Blue: Alignment with the US, Red: Alignment with China

The US and China have different approaches to Central Africa. While **China's approach is highly strategic and well thought out, the US approach is less coordinated.**

Economically, all the countries in the region are aligned with China, and the alignments are getting stronger. This is not only due to increased trade with China, but also a function of more Chinese investment. **China has significantly outspent the US in the region,** especially in recent years, as it seeks to expand its influence through investments in infrastructure and resource extraction.

Central African countries are characterized by weak governance structures, making it difficult for them to mitigate the political and economic risks associated with foreign influence. This has allowed China to secure control of resources at low cost. China's comprehensive approach – combining loans, investments, and trade partnerships – positions it as the dominant player in Central Africa.

The US faces challenges in countering this influence without a more robust and coordinated strategy that prioritizes economic engagement in the region.

Initiatives such as the trilateral MoU with the DRC and Zambia aim to strengthen US interests while promoting sustainable practices and governance standards. This approach comes at a time when Chinese-owned mining companies have been accused of human rights abuses and controversies over labor practices, environmental impact, and legal compliance.

However, **the US approach may be perceived as more complex, and given China's head start in Africa, it may be more cost-effective from a US perspective to focus on other regions.**

Central Asia

Key region for China's Belt and Road Initiative

Central Asia is another regional hotspot for critical minerals. **The region is heavily dependent on natural resources and commodities, particularly oil and gas.** However, when it comes to minerals, the region has not fully capitalized on its resources. Challenges include the need for foreign capital, technology and expertise to effectively develop these deposits.

Countries such as **Kazakhstan, Uzbekistan, Kyrgyzstan, and Tajikistan are rich in resources such as lithium, uranium, and rare earth elements.** These minerals are essential for nuclear energy, tech industries, and military applications.

The region's geopolitical landscape is influenced by China's Belt and Road Initiative, which seeks to secure access to resources, while the **US is countering with initiatives such as the Minerals Security Partnership,** which aims to improve the resilience of the minerals supply chain.

China holds a significantly stronger position in Central Asia for securing critical minerals compared to the US.

This advantage stems from several key factors. First, China's geographic proximity to Central Asia provides a natural advantage, as it shares a 3,300 km border with the region. This allows for easier access and transportation of minerals. Second, China has established a dominant presence in the region's mining sector, controlling numerous operations in countries such as Kyrgyzstan and Tajikistan.

China's early economic and security initiatives in Central Asia have also contributed to its influence. The Belt and Road Initiative has fostered strong economic ties, while China's willingness to invest without strict regulatory requirements has appealed to local governments.

By contrast, **the US has only recently increased its engagement in the region through initiatives such as the C5+1 Critical Minerals Dialogue.** While these efforts are encouraging, they face the challenge of competing with China's established presence and economic clout in Central Asia.



The Andes

A more complex landscape for mineral competition

The third and final major hotspot for critical minerals is the Andes,. This region includes countries **Chile, Peru, Bolivia, and Argentina that are rich in resources such as copper, lithium, and rare earth elements.**

The region relies heavily on natural resources, particularly mining. Chile and Peru are the world's leading producers of copper, with Chile accounting for 27% of global supply and Peru contributing 11%. Bolivia holds the world's largest lithium reserves but are still in the early stages of developing its lithium industry, while Argentina is already a major global player in lithium production.

However, **like Central Asia, the Andean countries have not fully capitalized on their vast mineral wealth.** Challenges include limited local capacity to process critical minerals and the need for joint ventures with international companies to effectively develop these resources.

Another challenge is that the **Andean countries are generally more concerned than other regions about the environmental and social impacts of mining.** Fragile ecosystems such as the Amazon and high-altitude wetlands are often affected by mining projects. Therefore, socio-environmental conflicts related to resource management are common.

China has made significant strides in securing critical minerals globally, but it does not dominate the Andean region to the same extent as in Central Africa or Central Asia.

The Andes presents a more complex landscape for US-China mineral competition.



Stronger governance and civil society participation help the US maintain its leading position

Economic alignments 2023



Military alignments 2023



Policy alignments 2023



Blue: Alignment with the US, Red: Alignment with China

Compared to Central Africa and Central Asia, the **US has a stronger position in most Andean countries due to several factors**. First, the geographic proximity of the Andean region to the US means that trade between the Andean region and the US is more cost-effective.

Second, **stronger governance structures in the Andean countries are more compatible with US business standards**. The Andean countries have more established democratic systems, albeit with challenges. This leads to greater scrutiny of foreign investment and mining deals, making it more difficult for

China to secure unfettered access to Andean minerals. This has prevented any single power from gaining total control over the region's mineral wealth.

Finally, there is **more active civil society participation in the Andean region**, including indigenous resistance to mining projects, which has posed challenges to Chinese mining operations.

China's involvement in the region is primarily concentrated in Bolivia. Bolivia's mining industry is relatively nascent, while the other countries in the

region have more established mining sectors and existing partnerships with Western companies. **Bolivia also has weaker governance structures than the rest of the region.** China has recently made significant investment commitments in Bolivia, particularly in the lithium sector.

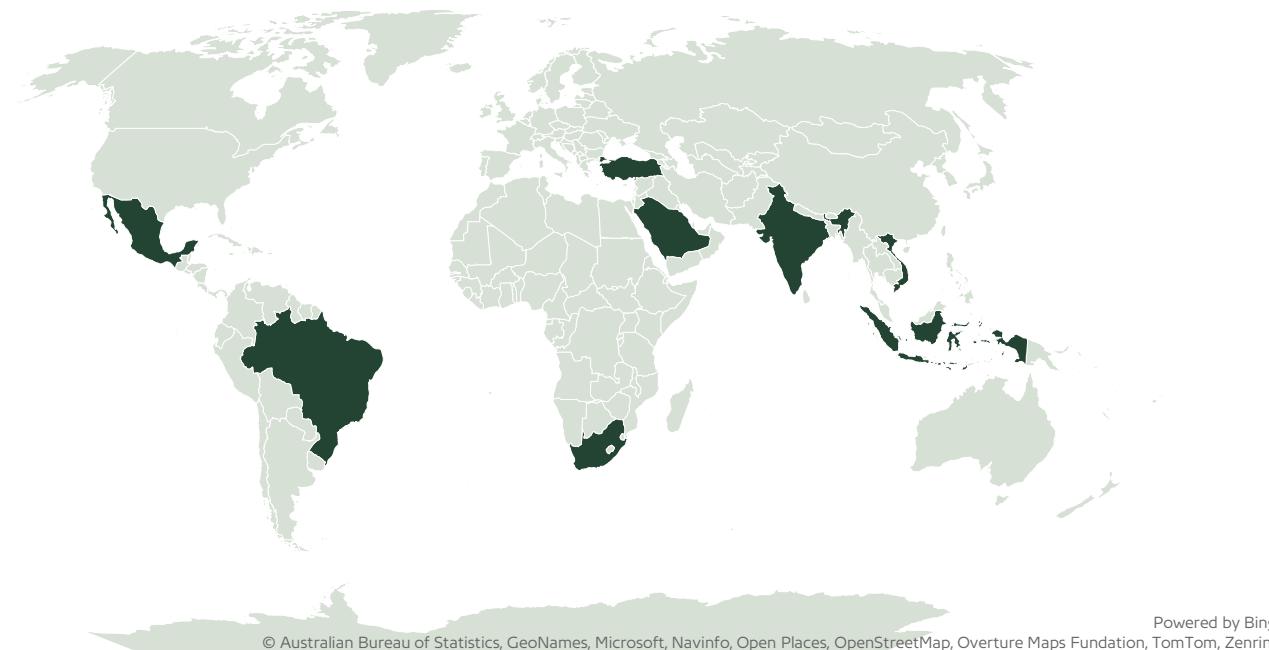
Emerging middle powers

- Countries near China see increased cooperation with China as the path to economic prosperity, while also maintaining a close military partnership with the US due to concerns over China's military expansion

Key takeaway

Abstract

Emerging middle powers

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Research prepared by:
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Research reflects analyst's own opinion

Eight capable emerging markets can alter global power dynamics

While multiple countries are contested, some are more strategically important than others. Based on our mapping of third countries' geopolitical alignments with the US and China, **we find that eight highly capable emerging markets are particularly important** to the global balance of power. These countries are: **Mexico, Brazil, Turkey, Saudi Arabia, South Africa, India, Vietnam and Indonesia.**

These “emerging middle powers” are not clearly aligned with either of the two superpowers, but they have high capabilities and resources in terms of their sizeable economies and markets, technological capabilities, diplomatic weight in international forums and due to their **potential to act as regional counterweights**. These countries are **valuable as strategic partners, but also formidable as potential adversaries**. A shift in the alignment of these countries will have a significant impact on the future global order.

India, for example, participates in the US-led Quad alliance while also being a member of the BRICS group, which includes China. Similarly, **Brazil** and **South Africa**, as part of BRICS, have sought to diversify their economic partnerships beyond traditional Western allies.

Turkey, a NATO member, has also pursued closer ties with Russia and China in recent years, challenging its traditional alignment with the West. **Indonesia** has welcomed Chinese investments through the Belt and Road Initiative while also participating in US-led economic frameworks.

Mexico's and **Vietnam's** proximity to the US and China respectively makes them critical buffer zones and potential allies for both powers. Despite its proximity to the US, Mexico has increased its trade with China. Similarly, Vietnam has strengthened its military ties with the US while maintaining economic relations with China.

Contested countries find themselves in a **hedging paradox**, seeking to preserve their strategic autonomy while navigating the geopolitical pressures exerted by the two superpowers. Given their considerable capabilities, middle powers are better positioned than many smaller or less influential nations to leverage their status for national advantage while avoiding full alignment with either side.

The competition between the US and China for each middle power country is unique. **We find that for middle powers in close proximity to China, increased cooperation with China is the most obvious path to economic prosperity**. At the same time these countries seek to maintain a close military partnership with the US because China's military expansion is perceived as a threat.

On the following pages each country is analyzed individually.

Vietnam

Vietnam's 'bamboo diplomacy' could come under pressure as China's power increases

Vietnam is a highly contested country. The country has **tried to balance relations with the US and China and maintain a neutral stance**. For both the US and China, Vietnam has a crucial geopolitical position in Southeast Asia. Its location, economic potential, and influence in ASEAN make it a valuable partner for both powers.

Vietnam's "bamboo diplomacy" approach has allowed it to benefit from investments and partnerships with both sides. This strategic positioning has elevated Vietnam's importance in the broader geopolitical landscape of Southeast Asia.

Economically, **Vietnam has become a key player in global supply chains**, particularly in the manufacturing and technology sectors. Its role as a "connector economy" between US and Chinese supply chains has made it attractive to both powers.

However, **economically Vietnam is much closer to China than the US**. For China, Vietnam is an important neighbor and potential partner in its Belt and Road Initiative. Given the geographical proximity, the volume of trade and FDI

from China far exceeds that of the US. China likely views its growing economic ties with Vietnam as a long-term investment in influencing Vietnam's strategic orientation. China's proximity to Vietnam gives it a natural advantage in deepening economic ties. This geographical closeness allows for easier trade, investment, and people-to-people exchanges, which China may see as inevitably drawing Vietnam closer over time.

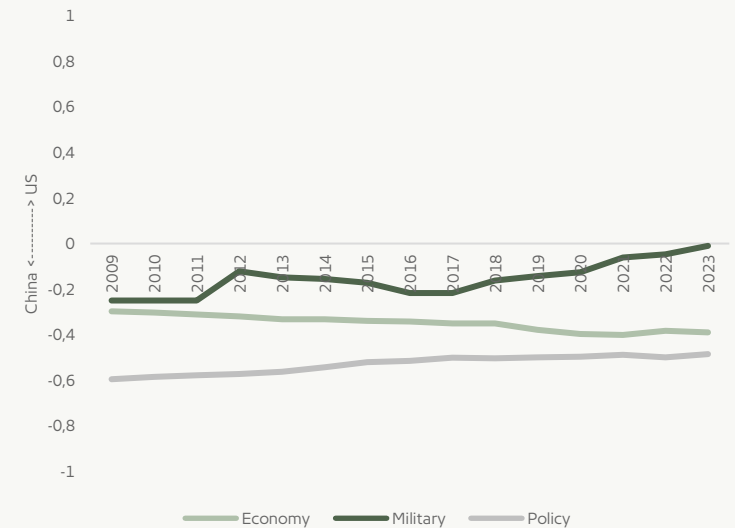
For the US, Vietnam is a valuable ally in its efforts to maintain influence in the Indo-Pacific region. Militarily, Vietnam's position in the South China Sea makes it an important partner for the US in countering China's maritime claims. Vietnam also has the **world's second largest reserves of rare earths**, making it strategically important in the US-China rivalry over critical minerals and supply chains.

So far, **China has been relatively tolerant of Vietnam's military cooperation with the US**, perhaps recognizing that pushing too hard for immediate alignment could be counterproductive and potentially drive Vietnam closer to the US.

Vietnam

Overall alignment: Neutral

Alignment development



India

India's emerging superpower status grants strategic flexibility

India's tradition of non-alignment during the Cold War continues to influence its foreign policy. As the world's most populous country and fifth largest economy, India's alignment can significantly affect the global balance of power. **India's position as a potential emerging superpower gives it more flexibility to hedge its bets.**

From a US perspective, India is increasingly seen as a crucial counterweight to China's growing influence in Asia. The US has been actively courting India as a strategic partner to help balance China's power in the region. The two countries share concerns about China's assertive behavior, particularly in the South China Sea and along the Sino-Indian border. The US sees India as a key partner in its efforts to maintain a "free and open Indo-Pacific," and has been strengthening military and economic ties with India.

Thus, militarily and economically India is closer aligned to the US than China. The amount of trade between India and the US and China respectively is comparable, but unlike China, the US has consistently been one of the

largest sources of FDI's into India. The US is a significant investor in India's IT and technology industries. Many American tech companies have established research and development centers or outsourcing operations in India, leveraging the country's skilled workforce. This trilateral dynamic adds complexity to the US-China rivalry, as India's growing capabilities and strategic importance cannot be ignored by either superpower.

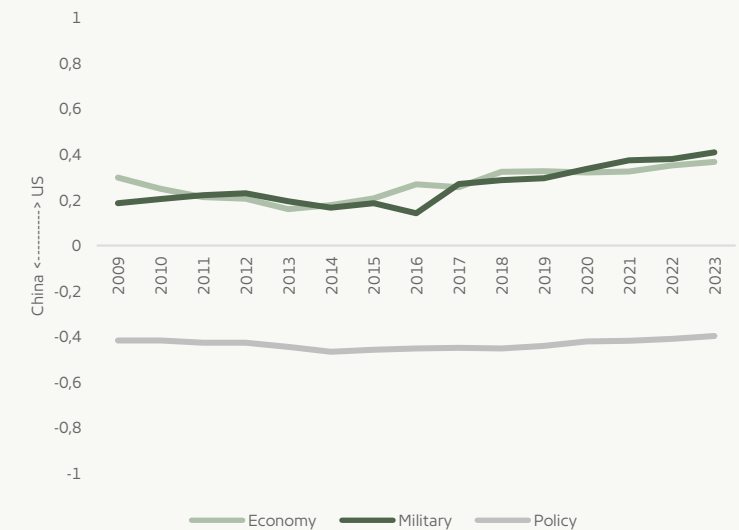
However, **in the UN General Assembly, India's voting pattern is generally more aligned with China than the US.** This is among others a reflection of the fact that on topics related to the developing world and global governance, India and China may find common ground. Similarly, they often vote against resolutions that they perceive as infringing on state sovereignty.

Nevertheless, the relationship between India and China is more strained and characterized by rivalism.

India

Overall alignment: US tilt

Alignment development



Turkey

NATO membership is used as leverage for seeking new partnerships

As a NATO member with strong historical ties to the West, Turkey remains a critical ally for the US in a volatile region. **Turkey's military capabilities and its position controlling access to the Black Sea make it an indispensable partner for NATO operations in the region.** Turkey's close ties to the West are also evident in the fact that **Turkey is one of the few emerging economies that has consistently voted more closely with the US than with China in the U.N. General Assembly.**

However, under the increasingly authoritarian leadership of President Erdogan, **Turkey has adopted an opportunistic approach, seeking new partners on an ad hoc basis that can offer more advantageous economic arrangements with fewer demands than the West.** This is the case, for example, in the energy sector, where Russia can offer cheap gas. Turkey has not joined Western sanctions towards Russia following the invasion of Ukraine. Turkey has also been seeking new economic partnerships in the Middle East. This is part of Turkey's ambition to become a major middle power in a multipolar world.

Turkey is increasingly using its strategic importance as NATO's easternmost member to pursue its own narrow agendas, making it difficult for NATO to appear united in conflicts and unable to exert the necessary political pressure as a united bloc. This can be seen, for example, in Sweden's desire to join NATO. Turkey has also adopted the strongest anti-Israeli position within NATO, putting it at odds with its Western allies.

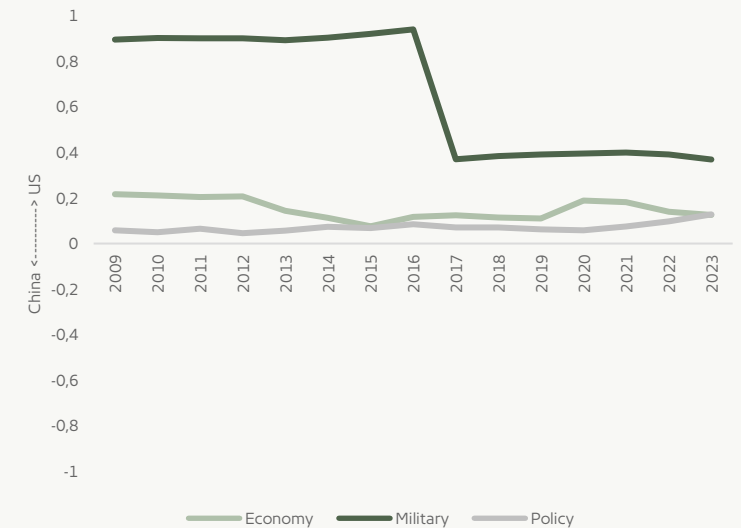
In terms of economic cooperation and policy orientation, **Turkey is increasingly aligned with China and other members of the BRICS bloc.** China sees Turkey as a key node in its Belt and Road Initiative and a potential gateway to European markets.

China has shown interest in investing in Turkish infrastructure projects and expanding economic ties, which could provide Turkey with much-needed financial support. In July 2024, China's largest electric vehicle manufacturer, BYD, announced a 1-billion-dollar investment to build a factory in Turkey. **The increased cooperation with China risks alienating Turkey's traditional Western allies if it leans too far towards China.**

Turkey

Overall alignment: US tilt

Alignment development



Saudi Arabia

Saudi Arabia has new geopolitical priorities amid US shale revolution

Saudi Arabia has long been a key player in the global geopolitical landscape, particularly in the context of the US-Saudi alliance, which dates to the 1930s. **Traditionally, Saudi Arabia was closely aligned with the US, a relationship** built on mutual interests in oil and regional security. The US relied heavily on Saudi oil, while Saudi Arabia benefited from US security guarantees, especially against regional adversaries such as Iran and Iraq.

However, **the US shale revolution has reduced American dependence on Saudi oil, weakening the traditional oil-for-security arrangement.** This shift has led Saudi Arabia to diversify its geopolitical alignments and strengthen its ties with China.

China views Saudi Arabia as an important component of its Belt and Road Initiative and a key energy supplier. China's growing influence in the region, exemplified by its role in brokering the Saudi-Iranian rapprochement, challenges traditional US dominance. **Saudi Arabia has been invited to join BRICS but has not yet done so.**

So far, both superpowers seem to tolerate Saudi Arabia's balanced approach. **Militarily, Saudi Arabia is still much closer aligned to the US than China.** The US has several military installments in Saudi Arabia and is the main supplier of arms to the country. However, China does have a growing military relationship with Saudi Arabia.

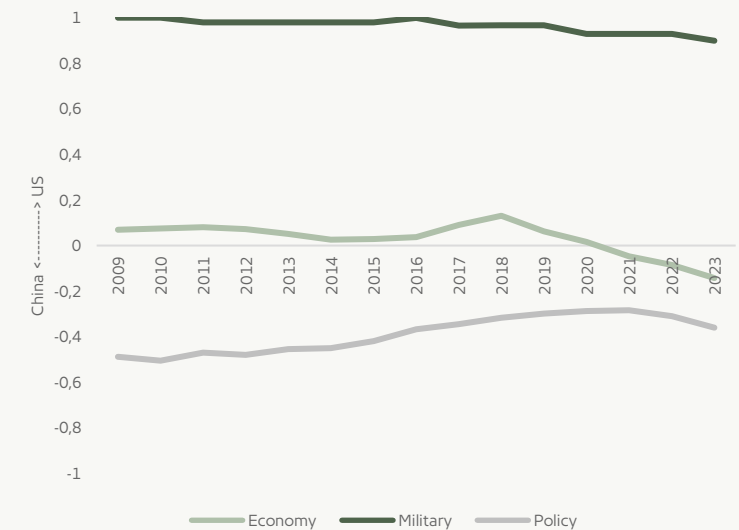
When it comes to economic cooperation, **Saudi Arabia has made a significant shift in alignment towards China.** China is already Saudi Arabia's largest trading partner. China has also emerged as the biggest investor in Saudi Arabia. While the total value of US-owned direct investments in Saudi Arabia still surpasses that of Chinese-owned, **the flows of new investments from China have surpassed that of the US.**

Approximately one-third of Chinese investments are in sectors such as solar, wind, and batteries. Chinese companies are involved in significant projects like the NEOM initiative. The Chinese investments are supporting Saudi Arabia's goals by focusing on non-oil sectors such as clean technologies, automotive manufacturing, and semiconductors.

Saudi Arabia

Overall alignment: US tilt

Alignment development



Indonesia

Pursuit of Chinese investments could jeopardize sovereignty and security

Indonesia's strategic importance in the global power competition between the U.S and China stems from its central geographic location, abundant natural resources, and growing economic influence. Situated between the Indian and Pacific Oceans, **Indonesia controls vital maritime trade routes, with approximately 60% of the world's seaborne trade passing through its waters.** This positioning makes it a critical player in both US and Chinese strategies for regional dominance.

As the **world's fourth most populous country**, Indonesia's economic potential is immense, with aspirations to become one of the world's top ten economies by 2045. Both superpowers are eager to secure Indonesia as an ally to tilt the balance of power in their favor. Considering its huge population, **Indonesia still has a relatively small economy and remains relatively underdeveloped.** Economic progress is therefore a major goal for the country.

China is by far Indonesia's largest trading partner, and Chinese investment in Indonesia has far outstripped that of the US over the past decade. Given the economy to China, Indonesia has viewed increased cooperation with

China as the most obvious path to economic prosperity. However, given Indonesia's relatively weak economic and military capabilities, **dependence on China leaves Indonesia in a vulnerable position** – at least until Indonesia has become a major economy in its own right.

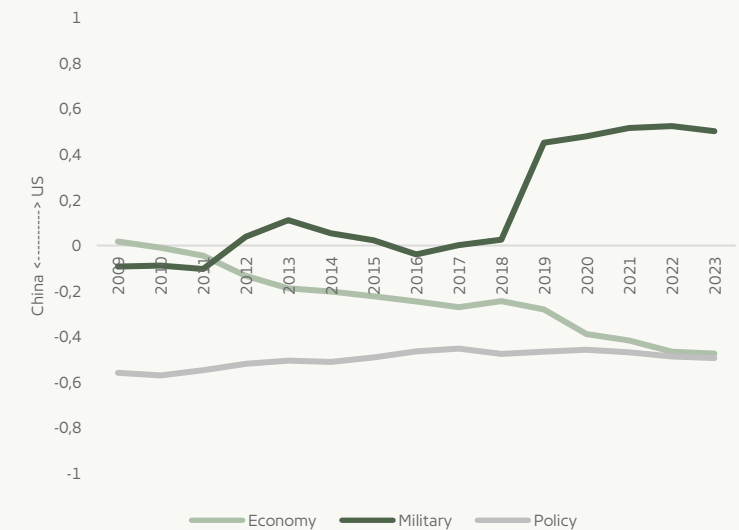
China's encroachment into the North Natuna Sea, which falls within Indonesia's exclusive economic zone, poses a direct threat to Indonesian sovereignty. A recent \$10 billion deal with China that implicitly recognizes China's claim to areas within Indonesia's exclusive economic zone has raised concerns about possible compromises to Indonesia's maritime claims. Thus, **Indonesia's economic dependence on China could potentially lead to a loss of bargaining power and autonomy.**

At the same time, **Indonesia has significantly increased its military cooperation with the US**, conducting joint military exercises and signing a defense cooperation agreement in 2023. While this could be seen as balancing the implicit threat from China, it also puts **Indonesia in a difficult position as its economic and military alignments have moved in different directions.**

Indonesia

Overall alignment: Neutral

Alignment development



South Africa

Despite democratic values South Africa has flipped towards China

Historically, **South Africa's foreign policy has been shaped by its transition from apartheid to democracy** in 1994. Initially, the country sought to maintain a non-aligned stance, avoiding great power rivalries. However, its economic and diplomatic relations have evolved significantly.

The US recognizes South Africa's pivotal role in Africa and seeks to maintain its historic influence. As a democracy and the continent's second largest economy, South Africa is critical to US economic and diplomatic interests in the region. The US seeks to maintain strong ties with South Africa to ensure that it remains aligned with Western interests.

However, **our geopolitical mapping show that both economically and militarily South Africa have flipped towards China** in recent years, although the country is still in the 'contested zone'. Also, policy wise South Africa has consistently been closer to China than the US.

Especially, **South Africa's membership in the BRICS bloc since 2010 has aligned it more closely with the China bloc**. South Africa has so far resisted pressure to align exclusively with either power, emphasizing its commitment

to a multipolar world order and the interests of the Global South., particularly as South Africa's BRICS membership poses a challenge to US hegemony in international affairs. Conversely, China sees South Africa as a key ally in its Belt and Road Initiative and as a gateway to the African market.

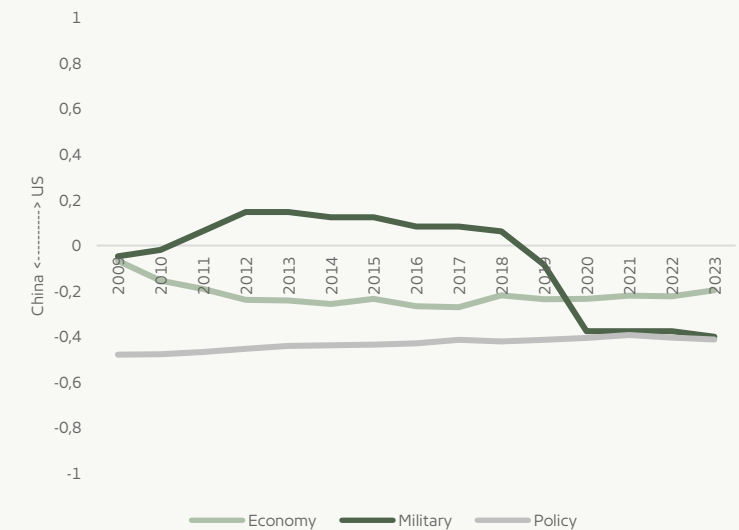
Economically, South Africa is an important partner for both superpowers. China is South Africa's largest trading partner and has made significant investments in the country, particularly in the infrastructure and energy sectors. On the other hand, the US has significant trade relations with South Africa, with the African Growth and Opportunity Act (AGOA) providing preferential access to the US market for South African exports.

Military cooperation between China and South Africa, including joint training exercises, complicates the geopolitical landscape. Because China's interests in South Africa are primarily economic, while US interests are more value-oriented given South Africa's democratic status and general alignment with US values, the competition for influence between the superpowers is complex and multifaceted.

South Africa

Overall alignment: China tilt

Alignment development



Mexico

Chinese trade bridge to the US market

Given the geographical proximity Mexico and the US have deeply integrated economic relationship. **The US is Mexico's largest trading partner, and Mexico has in later years become the US's largest partner.**

American companies have engaged in significant nearshoring activities in Mexico over the past few years. This trend has been driven by several factors. Mexico's proximity, lower manufacturing costs, and skilled workforce have made it an attractive nearshoring destination.

At the same time **Chinese companies are establishing a strong presence in Mexican industrial parks.** This investment has been particularly notable in the automotive sector, which accounted for 72% of Chinese investment in Mexico in 2023. Chinese companies are also investing heavily in Mexico in other sectors such as mining and technology, which could potentially undermine US economic and national security interests.

This trend is partly seen as an attempt by **Chinese companies to circumvent US tariffs and sanctions** as Mexico represents a strategic gateway to North American markets. By manufacturing in Mexico, Chinese companies can potentially gain access to the US market through the USMCA.

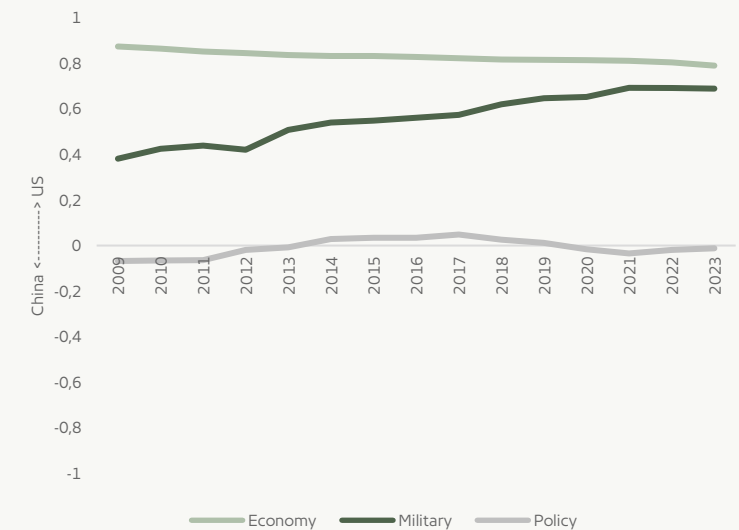
However, this strategy has raised concerns in the US, leading to discussions about **investment reviews and potential tariffs on Chinese-owned operations in Mexico.** This growing Chinese presence in Mexico poses a challenge to US influence in the region. Trump has threatened to impose a 25% tariff on all goods imported from Mexico and Canada. This move could violate the USMCA agreement and potentially halt or reverse the American nearshoring trend.

US pressure on Mexico to reduce ties with China will likely continue under the Trump administration. This puts **Mexico in a tough spot as it seeks to maintain its strong ties with the US while also exploring opportunities with China.**

Mexico

Overall alignment: US tilt

Alignment development



Brazil

South America's largest economy remains important to the US despite overtures from China

As a major emerging economy in South America, Brazil remains a critical partner for the US in the Western Hemisphere. Brazil's vast natural resources and its position as the largest economy in Latin America make it an indispensable ally for economic and strategic cooperation in the region. **Brazil's democratic traditions and historical ties to the West are evident in its alignment with the US on many international issues.**

However, under the leadership of President Lula da Silva, **Brazil has adopted a more independent foreign policy**, seeking new partnerships that offer economic advantages with fewer political conditions than traditional Western allies.

Under President Lula's leadership, **Brazil is increasingly engaged with China and other BRICS nations**. China sees Brazil as a crucial partner in its global resource strategy

and a potential supplier of critical commodities. China has shown significant interest in investing in Brazilian mining and infrastructure projects, which could provide Brazil with much-needed capital for development.

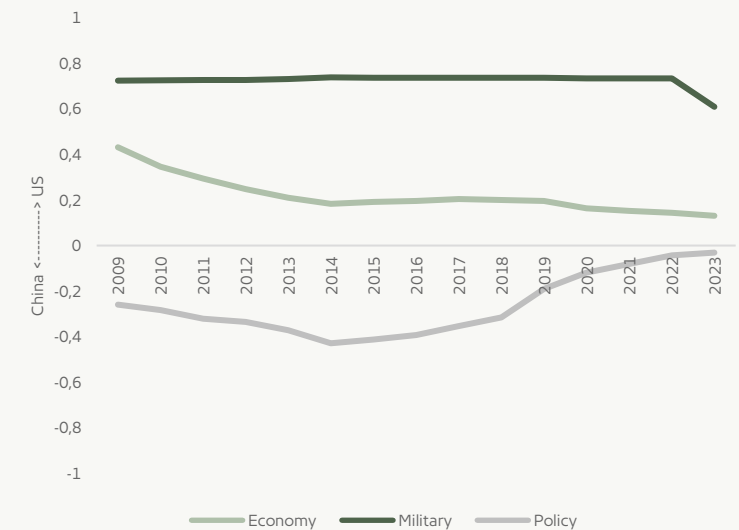
Brazil has also shown increasing willingness to challenge US dollar dominance, aligning with efforts to create alternative financial mechanisms. This is evident in Brazil's support for de-dollarization initiatives, which could provide alternative economic pathways.

However, the US remains Brazil's top source of foreign direct investment. This indicates **Brazil's strategy of maintaining balanced relationships rather than exclusively aligning with one superpower.**

Brazil

Overall alignment: US tilt

Alignment development



Appendix

Methodology - mapping geopolitical alignment



Several dimensions are relevant in mapping geopolitical alignments between third countries and the US and China respectively. The geopolitical alignment is captured using three main dimensions:

Economic cooperation is determined by the level of trade (imports + exports) between third countries and the US and China respectively, as trade is the most obvious proxy for economic partnerships. In addition to trade, investment flows from the US and China to third countries (outward FDI) are included, as outward investment is an indicator of the economic importance of a country for the US and China.

Military cooperation is determined by third countries' arms purchases from the US/China. Since many third countries do not buy arms directly from the US or China, but from other major arms producers such as Russia, France and Germany, arms purchases from Russia are treated as alignment with China, while arms purchases from the EU and Israel are treated as alignment with the US. In addition to arms purchases, joint military exercises involving the US/China and third countries as well as American/Chinese military bases in third countries are included in determining military cooperation.

Policy orientation is determined by comparing the voting patterns of third countries with those of the US

and China in the UN General Assembly based on a Kendall rank correlation.

Direct and indirect influence: While the US and China exert direct influence over virtually all countries, both superpowers also exert indirect influence through influential regional allies. For both superpowers, regional allies play a critical role in shaping regional dynamics. For example, when US regional allies in the Middle East, such as Israel and Turkey, exercise their influence in the region, they are not only positioning themselves to optimize their own interests, but also, in certain situations, acting as an extension of US influence in the region.

Similarly, China is able to indirectly influence third countries through regional powers such as Russia and Iran. For example, China has indirectly supported Russia in the war in Ukraine by increasing trade with Russia as Western countries have imposed sanctions and by supplying critical goods that help sustain Russia's war effort. From an analytical perspective, dividing the world into a pro-American and a pro-China bloc has strengths and weaknesses as other actors such as the EU, Russia, and India clearly play important roles in shaping global power dynamics.