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Donald Trump's International Economic Policy from the World System's Perspective

Since 2016, the Trump administration has announced a series of protectionist measures: it suspended or reviewed the US participation in free trade agreements, taxing some imports, restricting foreign access to high-tech sector, and so on. Trump's international economic policy has provoked debate in the US and around the world. Critics rushed to state that Trump was leading the US into international isolation, which could in turn lead to a global economic downturn. Foreign countries have also joined the ranks of Trump critics. China said it would resist protectionism and fight for free trade, while the longtime US allies France, Germany and Britain had to admit that the transatlantic community was going through difficult times. This article seeks to answer two questions: why has the US President administration been pursuing protectionist international economic policy and how does this policy affect transatlantic relations and Lithuania's international position?

Introduction

In 2016 the US president Donald Trump announced a new course of the country's policy "America First". Not only did he promise to protect the US market from imports and unfair trading practices used in the US by other countries of the world, but he also ordered the return of industrial production to America. At the same time, Trump warned other countries that they would no longer be allowed to exploit the US. Shortly after the inauguration, Trump suspended US involvement in the Trans-Pacific Partnership Agreement (TPP) and ordered the government to review other free trade agreements, including the North American Free Trade Agreement (NAFTA) concluded in 1994. In the spring of 2018, the US President administration imposed duties on imports of steel and aluminum for its major trading partners the European Union, Canada and Mexico, and in the autumn, duties on imports from China came into force. According to Trump, this was a response to China's unfair trading practices and ongoing intellectual property theft.

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Trump's protectionism has sparked a wave of criticism. Opponents warned that protectionism would push the US into international isolation and could provoke a global economic downturn. Foreign countries have joined the ranks of Trump critics. China said it would oppose protectionism and fight for free trade, while longtime US allies in the Western Europe had to admit that the transatlantic alliance was in crisis. The US and Western European countries did not agree on the Nord Stream 2 pipeline, the agreement on Iran nuclear programme and climate change, the European military and, of course, on duty rates.

The events that currently take place in the international system raise two questions: why is the US pursuing the protectionist international economic policy, and how does this policy affect US relations with other countries of the world, including its longtime allies in Western Europe?

Over the past few years, the domestic and foreign policies of the Trump administration have been analyzed a number of times¹. Most of the analyses were reviews, i.e. consistent theoretical and methodological attitudes were not followed in conducting such analyses. Still, certain predominant scientific approaches could be distinguished: first one is the Foreign policy analysis (FPA) and the second one is access to the International political economy (IPE).

Researchers applying FPA methods analyze the actions of decision makers and the factors that affect those decisions, looking into how decisions made by individuals are affected by their psychology or the domestic policy in general². In examining Trump's political decisions, Reinhard Wolf pointed to the character of the leader of the US. According to him, Trump is a "narcissist" pursuing recognition and respect. This affects his approach to the US place in the world. "He (Trump) feels offended because other countries of the world do not respect America. Trump's goal is to rebuild the image of the United States, and this is the purpose of the "America First" programme³.

Still, in order to understand and explain Trump's decisions, individual level is not enough. It should be noted that the "America First" programme is not unique. It reflects right-wing populism, and this ideology is popular not only in the US, but also in other Western democracies, including Hungary, Po-

¹ See Schweller Randall, "Three Cheers for Trump's Foreign Policy", *Foreign Affairs* 97 (5), 2018, 133–143; Ikenberry John G., „The Plot Against American Foreign Policy“, *Foreign Affairs* 96 (3), 2017, 2–9; Irwin Douglas A., „The False Promise of Protectionism“, *Foreign Affairs* 96 (3), 2017, 45–56, et al.

² Ashcroft Anton, "Donald Trump: Narcissist, Psychopath or Representative of People?", *Psychotherapy and Politics International*, 14 (3), 2016, 217–222; Wolf Reinhard, „Donald Trump's Status-Driven Foreign Policy“, *Survival: Global Politics and Strategy* 59 (5), 2017, 99–116, et al.

³ Wolf R., 100.

land, France and the United Kingdom. Right-wing populists advocate for state support for national business, protection of national markets, restrictions on the movement of labor migrants, halting globalization processes, etc. The prevalence of these ideas allows stating that there are certain structural reasons behind increasing popularity of anti-immigration and anti-globalist rhetoric in the West.

In addition, there had been manifestations of isolationism in US politics well before the Trump presidency. In the face of economic competition from Japan and Germany having recovered after the Second World War, the US also used protectionist measures to defend its economic interests. As Robert Gilpin notes, this is when the United States became a “predatory hegemon” taking advantage of its dominant position in the global economic system to meet its own needs⁴. Thus, the protectionist policy is not just a consequence of Trump’s understanding or attitude.

TPE representatives usually resort to Mercantilism to explain Trump’s protectionism⁵. It should be admitted that provisions of Mercantilism are in line with the ideological Trump’s position and explain some of his decisions. The US leader has repeatedly spoken out in favor of protectionism, emphasizing that the world is facing fierce economic struggle between different countries⁶. Still, the assessment of the totality of the Trump administration’s decisions does not allow to easily state that there would be any constraints on US involvement in the global economy, even if this was not in line with economic interests of the US. This is where a deficiency in mercantilistic interpretation comes to light. Emphasizing that the economy is subordinated to politics, mercantilists tend to consider countries as autonomous in making decisions regarding international economic policy, disregarding the fact that there are significant structural constraints in the global economy (e.g. economic interdependence, various international production chains, etc.) that constrain the freedom of action of those countries. Overlooking this fact makes it impossible to explain the international economic policy pursued not only by the US but also by the rest of the world.

The article presents an analysis of the structural impact of the international economic system on the international economic policy pursued by the Trump administration, based on the World system perspective developed by

⁴ Jackson Robert, Sørensen Georg, *Introduction to International Relations: Theories and Approaches*, Oxford: Oxford University Press (6th edition), 2016, 181.

⁵ See Patrick Stewart M., “Trump and World Order: The Return of Self-Help”, *Foreign Affairs*, 96 (2), 2017, 52–57, et al.

⁶ Franck Thomas, „Trump doubles down: ‘Trade wars are good, and easy to win’, CNBC, 2018-03-02 (<https://www.cnbc.com/2018/03/02/trump-trade-wars-are-good-and-easy-to-win.html>); 2019-04-01).

the American sociologist Immanuel Wallerstein⁷ and other researchers. The main thesis of the article stating that Trump's protectionism is a natural response of the US to changes in the balance of relative economic power in the global capitalist economy (the World system) has been formulated on the basis of this perspective. The emerging powers of the global economic system (China and other Southeast Asian countries) and competition from the old ones (Western Europe, Japan and South Korea) as well as a decline in national industrial production have been reducing the relative economic power of the US in the global economic system. Since returning industrial production to the US is a difficult task, the Trump administration is forced to look for alternative measures to help halt the economic "peripheralization" of the US, and the protectionist international economic policy is one of such measures.

Thus, the purpose of this research is to analyze the protectionist international economic policy pursued by the United States and to reveal the structural factors determining it.

Recently, the World system perspective has been used when analyzing issues relating to the US hegemony⁸ and the impact of the growth in the relative economic power of countries of the Southeast Asian region on the structure of the world system⁹. However, these sociological and economic studies lack attention to the analysis of international relations. The article complements the aforementioned studies by emphasizing the importance of the analysis of political decisions. It is also intended to show that disregarding geo-economic conjunctions in interpreting the behavior of countries in the international system is impossible.

The first part of the article reviews the World System Theory and formulates theoretical preconditions for the study of the structural factors determining the international economic policy implemented by different countries.

⁷ Wallerstein Immanuel, *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, New York: Academic Press, 1974; Wallerstein I., „Patterns and Perspectives of the Capitalist World-Economy“, *Contemporary Marxism* 9, 1984, 59–70; Wallerstein I., *The Capitalist World-Economy*, Cambridge: Cambridge University Press, 1979, et al.

⁸ Chase-Dunn Christopher, Jorgenson Andrew K., Shoon Lio, „The Trajectory of the United States in the World-System: a quantitative reflection“, *Sociological Perspectives* 48 (2), 2005, 233–254; Known Roy, „Hegemonies in the World-System: an empirical assessment of hegemonic sequences from the 16th to 20th Century“, *Sociological Perspectives* 54 (4), 2011, 593–617; Boswell Terry, Sweat Mike, „Hegemony, Long Waves, and Major Wars: A Times Series Analysis of Systemic Dynamics 1496-1967“, *International Studies Quarterly* 35, 1991, 123–149, et al.

⁹ Karatasli Sahan Savas, „The Capitalist World-economy in the *Longue Durée*: Changing Modes of the Global Distribution of Wealth, 1500-2008“, *Sociology of Development* 3 (2), 2017, 163–196; Grell-Brisk Marilyn, „China and global economic stratification in an interdependent world“, *Palgrave Communications* 3, 2017 (<https://www.nature.com/articles/palcomms201787>; 2019-06-21), et al.

(The article will not provide a comprehensive overview of the World System perspective, discussing solely the theoretical elements that are relevant in the analysis of the selected case.) The second part reveals how changes in the balance of relative economic power affect the US position in the world system and, in turn, the direction of the Trump administration's international economic policy. The impact of the US protectionist international economic policy on transatlantic relations and Lithuania's international environment is discussed at the end of the article.

1. Structure and Dynamics of the World System

The world system is hierarchical and its expansion will always be uneven and inconsistent. "The world's strongest countries compete with each other to improve or protect their positions, and underdeveloped countries become victims of economic expansion of more advanced countries"¹⁰.

Given the international hierarchical division of labor in the world system, the position of countries in the global network of capitalism can be determined. Traditionally, there are two geo-economic zones that cover different geographical areas and states: the core and the periphery; also, two intermediate geo-economic zones, namely, semi-core and semi-periphery, can be distinguished. "Manufacturing of light complex (e.g. electronics) and heavy complex (machinery) industrial produce has been moved from the core to the first intermediate zone, leaving divisions engaged in research, experimental development and coordination of international manufacturing chains in core countries. Heavy ordinary (metals, inorganic and synthetic chemical) industrial products and light ordinary industrial products (textiles, food and leather products) currently play the major role in the export of semi-periphery countries"¹¹.

Recently, representatives of the World system perspective discuss how many zones currently comprise the structure of the global economic system

¹⁰Norkus Z., *Kokia demokratija, koks kapitalizmas? Pokomunistinė transformacija Lietuvoje lyginamosios istorinės sociologijos požiūriu*, Vilnius: Vilnius University Press, 2008, 194–195, op. cit.

¹¹Norkus Z., „Kapitalizmo raidos Lietuvoje bruožai ir etapai (iki 1940 m.) postmarksistiniu požiūriu“, *Lietuvos istorijos studijos* 29, 2015, 1–10 (<https://doi.org/10.15388/LIS.2012.0.7440>; 2019-02-15), op. cit.

and how should these zones be conceptualized.¹² The article follows the three-zone model offered by Wallerstein (core, periphery and semi-periphery).

1.1. Geoeconomic Zones

The most economically powerful countries with the highest gross domestic product (GDP) per capita in the world, the top living standards and the most skilled workforce are the core. These countries have the most capital, since they manufacture and export the most technologically advanced (high-tech) industrial products that are highly competitive in international markets. Since these products are relatively expensive, people in core countries earn and consume the most. Economic power allows core countries to dominate the military sphere.

Peripheral countries mostly manufacture and export cheap industrial and agricultural produce or raw materials, purchasing expensive high-tech industrial products from core countries. This inequality results in low wages and high prices in periphery countries, and emigration of their population to core or semi-periphery countries.

Semi-peripheral countries are between core and periphery. They manufacture and export both higher value-added industrial products (such as electronics, machinery or other equipment, etc.) and lower value-added products (such as metals, inorganic and synthetic chemicals, textiles, food, leather products, etc.) or supply raw materials to core countries¹³. Some semi-peripheral countries also play the role of regional trading or financial centers. Their task is to transfer excess profits to the core and to administer investments of core countries in the periphery¹⁴.

It should be noted that the attribution of certain countries to a particular geo-economic zone is very relative. Different regions of large countries

¹² See Mahutga Matthew C., „The Persistence of Structural Inequality? A Network Analysis of International Trade, 1965-2000“, *Social Forces* 84 (4), 2006, 1863–1889; Nemeth Roger J., Smith David A., „International Trade and World-system Structure: A Multiple Network Analysis“, *Review (Fernand Braudel Center)* 8 (4), 1985, 517–560; Snyder David, Kick Edward L., „Structural Position in the World-system and Economic Growth, 1955-1970: A Multiple-network Analysis of Transnational Interactions“, *American Journal of Sociology* 84, 1979, 1096–1126; Arrighi Giovanni, Drangel Jessica, „Stratification of the World-economy: An Exploration of the Semiperipheral Zone“, *Review (Fernand Braudel Center)* 10 (1), 1986, 9–74; Sanderson Stephen K., „World-system Analysis after Thirty Years: Should It Rest in Peace?“, *International Journal of Comparative Sociology* 46 (3), 2005, 179–213, et al.

¹³ Shannon Thomas, *An Introduction to the World-System Perspective*, Radford University: Westview Press (2nd edition), 1996, 27–29.

¹⁴ *Ibid.*, 36–37.

and countries in transit from one geo-economic zone to another may belong to different geo-economic zones. (For example, the western regions of China correspond to the level of development of semi-peripheral countries, while its eastern regions are in the level of development of core countries. China may be considered semi-peripheral only if we were to draw an average of all regions of the country).

1.2. Processes and Relationships within the World System

The paradigm of the World system is based on a Marxist approach, which emphasizes the deterministic role of material (economic) factors in the social world. It is therefore appropriate to start an overview of relations between countries belonging to different geo-economic zones by looking into these factors.

Economic relations in the world system are exploitative because of the uneven exchange in the capitalist global economy. Peripheral countries manufacture and export low value-added products the competitive advantage of which in global markets is ensured by cheap labor force, and purchasing high value-added products from the core countries, which is manufactured by skilled and well-paid labor force hired by core countries. The formed difference (excess profit) remains for core countries¹⁵. This is why the core countries force the periphery to get involved in uneven exchanges. To this end, the industrial, commercial and financial capital (the economic power block) draws on the economic and military power and political influence of the country. The core may conquer and directly rule the periphery (a practice that was prevalent during colonialism) or rely on a network of “client” countries (a practice that is prevalent today).

The accrued excess profits allow “temporarily resolving the internal socio-economic problems of the most advanced (core) countries. Firstly, colonies and semi-colonies are additional markets for selling industrial produce, the existence of which allows to mitigate crises in overproduction and counteract the persistent rise in unemployment inherent in capitalism supposedly as a result of technical progress in production. Secondly, the use of cheap labor and the monopolization of sources of raw materials allow capitalists of well-developed countries to make concessions to the labor force of their countries, turning its skilled part of it into “labor aristocracy”¹⁶.

¹⁵ Wallerstein I., 1984, 61.

¹⁶ Norkus Z., 2008 m., 195, op. cit.

“Concessions” mean that “labor aristocrats” (or hired employees from core countries) are granted political rights, which allow representatives of this class to demand higher socio-economic well-being standards from the country (or local capitalists). Since core countries have accumulated sufficient capital, they can meet these demands by redistributing capital through various social programmes, which reduces socioeconomic confrontations in core countries – hired labor force in core countries have no interest in opposing the existing socio-economic system, even though it remains exploitative towards them. They support the country and thus create conditions for the formation of nationalism among them¹⁷. Moreover, hired workforce from the core are not interested in uniting with employees from periphery, because exploitation of the latter ensures a relatively high level of their own well-being¹⁸.

Landowners or resource industry representatives, bureaucrats and the military comprise the power block of the periphery. Their main goal is to keep labor taxation as low as possible, because low price of these products plays a key role in ensuring the competitiveness of products manufactured in periphery and the extracted raw materials in international markets. The power block of the periphery is also interested in maintaining the periphery in the international network of capitalism, because being in it allows selling produce and building profits. However the economic benefits received from exchange with the core are not sufficient to allow the power block of the periphery to meet even limited economic requirements of local workers¹⁹. In order to prevent workers from rising, “political repression and various forms of non-economic violence” have been exercised in their respect²⁰. This leads to peripheral countries being politically unstable and largely governed by military dictatorial regimes which seek to suppress any resistance²¹.

Semi-peripheral countries interact with periphery as a core, and with the core as the periphery. This is because they have both periphery-like and core-like industries. (For example, Russia produces and exports relatively cheap but technologically advanced weapons to periphery countries compared to the core, and it exports energy raw materials and relatively low value-added industrial produce to the core (Western Europe). Thus, Russia can be categorized as semi-periphery zone). Core-like industry in these countries occurs when production of certain products loses profitability in core countries because of

¹⁷ Wallerstein I., 1984, 69.

¹⁸ Shannon Th., 1996, 35.

¹⁹ Ibid., 1996, 38.

²⁰ Norkus Z., 2015, op. cit.

²¹ Shannon Th., 1996, 36, 38, 42–43.

excessive production costs and falling production prices, and is thus moved to geo-economic zones, where labor force is cheaper. It should be noted that the core-like industry is an important feature characterizing semi-peripheral countries. The movement of semi-peripheral countries in the world system depends on the development of industry of this type (the next section will discuss the aspect of dynamics in the world system in more detail).

Semi-peripheral states absorb tension in the world system created by economic and political pressures which core countries exert on the periphery. The primary task of these countries is to protect the world system from polarization. Semi-peripheral countries have no interest in uniting with the periphery because they themselves exploit it, while mediation between the core and the periphery allows these countries to accumulate capital and invest it in the development of higher value-added industries.

However, according to Wallerstein, this does not mean that the goals of the semi-periphery and the core are the same. On the contrary, semi-peripheral states seek to maintain as much independence from the core as possible, or otherwise they will be over-exploited and will risk falling to periphery. Moreover, the more independent the semi-peripheral countries are, the more successful they are in the development of the core-type industry, which is a prerequisite for them rising to the core area.

The economic well-being of hired workers in semi-peripheral countries is higher than that of periphery workforce. They have limited political rights, thus political systems in these countries range from authoritarian regimes to “formal democracies” dominated by members of bureaucratic-political elite and representatives of security structures. However, there are many tensions in semi-peripheral states caused by uneven distribution of capital in the society and a contradiction of interests of different capital groups. Conflicts arise both between representatives of peripheral and core sectors of the economy (because of the influence on national policy) and between workers of those industries (because of the limited distribution of economic resources)²².

²² Chase-Dunn Ch., *Global Formation: Structures of the World-Economy*, Cambridge, MA: Basil Blackwell, 1989, 121–129, 213–214.

1.3. World System Dynamics

1.3.1. Ascent and Decline in the World System

Countries developing and using cutting-edge high-tech technologies in the industry are in the top tier of the international capitalism network. This aspect is related to dynamics of the world system. When an industry is moved from one of the core countries to semi-periphery, capital, taxes, skilled labor force and technological potential eventually move with it. Such a core country faces the risk of economic “peripherization”. To avoid this, core states engage in the development of high-tech industries and seek to protect the industry from competition from other countries (e.g., countries may restrict exports of strategically important production technologies abroad, prohibit foreign investment in their high-tech manufacturing sector or take other protectionist measures).

Dynamics in the world system may also be affected by a conflict between core countries (world war), which disrupts the balance of power (for example, one core country may become a hegemon of the world system after a war, while another one may lose this status). According to Christopher Chase-Dunn, a military conflict has a threefold structuring function. First, a war arises when one of the core countries tries to establish itself in the world system, while others seek to prevent it. Although none of the core countries has been able to take absolute power in the world so far, one of them may temporarily become a hegemon of the world system after a war. Second, countries may take advantage of a war to improve their position in the world system. After a war, a new structure forms in the world system, with new economic powers emerging and old ones declining. Third, wars restructure relations between core and periphery. Over the last few centuries, there were multiple conflicts in the world, from wars for influence in colonies or “client” countries to disputes relating to trade, etc. Chase-Dunn also adds that a war between core countries is unlikely at the moment. Conflicts between core countries are eliminated by their active economic expansion to the periphery²³.

Dynamics (in the core) depends on the geographical zone which the international network of capitalism covers at a certain period of time. It is also important whether emerging new economic powers have free access to capital resources and production technologies of the old ones. (For example, Wallerstein notes that the growth in the relative economic power of the US and

²³ Ibid., 1989, 159–161, 243–245.

Germany in the world system would have been much slower if it was not for the rapid colonization process in the 19th – 20th centuries and for their ability to freely access British capital and production technologies developed by the British)²⁴.

When it comes to dynamics of semi-peripheral countries in the world system, they may decline to the periphery zone when over-exploited by core countries. They may also ascent to a higher level if they take over certain industrial production from core countries, protect it from core produce import competition and develop into more advanced ones. For this strategy to render results, semi-peripheral countries need to gain maximum autonomy from core countries²⁵.

When explaining how some of semi-peripheral states (such as Taiwan and South Korea) managed to become economically independent, representatives of the World system perspective distinguished two circumstances: external (international) and domestic. In the first case, the geopolitical situation at a particular time in history is important. For example, to prevent the spread of communism, in the aftermath of World War II, the US made efforts to industrialize South Korea and Taiwan. Not only were these countries in the Southeast Asian region allowed to pursue autonomous economic policy, but they were also granted exceptional conditions to market their products in the US market²⁶.

In the assessment of domestic circumstances, Wallerstein notes that semi-peripheral countries where industrial capital eventually became prevalent having replaced export-oriented industries (such as agriculture, resource extraction, etc.) have historically been more successful in economic development. It should be noted that countries dominated by representatives of the industrial sector tend to defend their markets more actively (for example, they import from core countries the amount of technology or equipment, which is needed for industrialization only, limiting import of luxury goods). They also export less agricultural produce and other resources to the core and can therefore direct them to their domestic market, thus ensuring relatively low prices of food and other resources. This, according to Wallerstein, provides additional impetus for industrial development. Finally, in countries dominated by industrial capital, agriculture is subject to higher taxes, while the proceeds received are used for further industrialization and the development and application of new technologies in production.

²⁴ Shannon Th., 1996, 148.

²⁵ Wallerstein I., 1979, 70–71.

²⁶ Chirot Daniel, *Social Change in the Modern Era*, New York: Harcourt Brace Jovanovich, 1986, 124–126.

1.3.2. Hegemonic Cycle

There is no consensus on how to conceptualize the hegemon. According to Wallerstein, the world hegemon is the strongest core country whose industrial, commercial and financial companies dominate globally²⁷.

Industrial advantage means that the industry of the hegemon manufactures most of the most technologically advanced production, which the country then can sell at the most favorable prices in global markets. Trade domination means that the hegemon controls the international trade of core countries, i.e. its transport and trading companies (such as shipping, commercial insurance or wholesale) take up a significant share of the global market. Finally, dominance in the global financial sector means that the capital accumulated by the hegemon is a major source of international investment and the largest provider of financial services to countries around the world. Financial institutions of the hegemon control international lending, set global interest rates and exchange rates; the national currency of the country is reserve currency, used in international trade transactions and global financial operations.

According to Wallerstein, there are three states that have met these criteria since the 17th century: the Netherlands (in 1620–1650, 1672); Great Britain (in 1815–1850, 1873); and the US (in 1945–1967)²⁸.

Lately, there has been a debate among representatives of the World system perspective on whether earlier hegemonies (the Netherlands and Great Britain) could be equated to the US. There also are those, who argue that there were more countries (such as Portugal) who met the criteria of a hegemon in the past²⁹. And finally, there are disputes as to whether the relative economic power of the US has truly been declining.³⁰ Without going any deeper into the matter, there are things that everyone agrees on. One of them is the fact that having reached the level of a hegemon, a core country retains this status for a relatively short period of time. Representatives of the World system paradigm refer to the period from the country becoming a hegemon till a recession as a “hegemon cycle”. Wallerstein divides this cycle into four phases: the first is the ascending hegemony; the second is the hegemonic victory; the third is the hegemonic maturity and the fourth is the hegemonic decline³¹.

²⁷ Wallerstein I., “World-System Analysis: Theoretical and Interpretative Issues”, in *World-System Analysis: Theory and Methodology*, (ed. Hopkins T., Wallerstein I., Bach R., Chase-Dunn Ch. and Mukherjee R.), Beverly Hills, CA: Sage, 1982, 62.

²⁸ Ibid.

²⁹ Known R., 2011, 593–602.

³⁰ Wohlforth William C., „The Stability of a Unipolar World“, *International Security* 24 (1), 1999, 5–41.

³¹ Shannon Th., 1996, 137.

In the first phase, the old hegemon loses the economic and military advantage, while the remaining core countries start to compete with each other for who will replace the old hegemon. (At the end of this phase, there may be a war between core countries). In the second phase, one of the core countries acquires an economic and military advantage, and becomes a new hegemon. In the third phase, a new hegemon acquires absolute or “full” hegemony. During the fourth phase, the economic and military power of a hegemon is declining and it gradually loses its dominance over other core countries. The most powerful countries of the world once again compete with each other to replace the old hegemon³².

According to Wallerstein, a country seeking to become a hegemon must meet certain criteria. First, it must take advantage of new economic opportunities the appearance of which requires a favorable geographical location, access to resources, efficient organization of economic activities and a political strategy, the key element of which is a consensus of the state and the class of national capitalists (a consensus means that both the state and the capitalist class must be willing to pursue hegemony). Second, the potential hegemon must be powerful, or otherwise the country will fail to overcome internal and external resistance³³. It should be noted that Wallerstein emphasizes that a powerful country does not mean that it is militarized, centralized, or has a powerful and autonomous bureaucratic apparatus. The existence of a strong alliance between the state apparatus and representatives of the national capitalist class is the key³⁴.

When discussing the hegemonic decline phase, at first, the hegemon loses its industrial advantage, then lets go of its dominant position in the global trade and, eventually, in finance. There are several reasons why having become a hegemon of the global capitalist economy a country inevitably experiences a decline. First, a hegemon fails to retain a monopoly of the most advanced industrial production technologies that allowed it to achieve hegemony. Other core or semi-peripheral states take over or copy these technologies. The relocation of industrial production is one of the reasons for this happening. Secondly, the hegemon continues to invest in old industrial production technologies, despite the fact that they are accumulating less capital. In the long run, the hegemon runs out of financial resources, making it increasingly difficult for it to invest in the development and deployment of advanced technologies in the industrial sector. This makes other countries more successful in developing more

³² Ibid.

³³ Wallerstein I., 1982, 62–64.

³⁴ Ibid.

advanced economic activities. Third, once a hegemon reaches its maturity, its companies are no longer exposed to competition and are not under pressure to reduce product prices. Moreover, they increase salaries to their employees until hegemon's produce loses its competitiveness in international markets. Fourth, a hegemon retains the largest army and the network of "client" countries in the world, which weakens its economy³⁵. A decline in economic and military power of a hegemon reduces its influence in international relations, and it finds increasingly more difficult to influence international politics in a way that is in the best interests of its industrial, commercial and financial institutions. Seeing a hegemon becoming weaker, other core and semi-peripheral countries start to intensify defense of their internal markets, oppose the existing trade and financial agreements, expand their influence in the periphery, and so forth.³⁶

Chase-Dunn adds that capitalists of the weakening hegemon may target their investments to other core or semi-peripheral states with higher accumulated profits. Moreover, with the majority of hegemonic capitalists profiting from investments abroad, reaching a political compromise on certain policy measures (such as protectionism) that would allow reducing competition for imported products is becoming increasingly more difficult. Let's assume that representatives of the financial sector of a hegemon may be interested in and support free trade agreements, even though they are undermining local industry. Even if capitalists of the hegemon do not direct most of their investments abroad, they can use state support and continue to profit from the application of old technologies in the industry through state support and refrain from investing in the development and application of new technologies, or they may undertake various speculative investments (e.g. in real estate, finance or other sectors)³⁷.

2. The US Position in the World System and its Change

2.1. The US as the World's Hegemon

The two world wars in Europe in the 20th century ended the dominance of the Old Continent countries in the world system, and the new economic power – the United States of America – took their place. For more than half

³⁵ Shannon Th., 1996, 140.

³⁶ Wallerstein I., 1982, 62–64.

³⁷ Chase-Dunn Ch., 1989, 176–178.

a century, American manufacturers dominated the world. Manufacturing of high value-added industrial products and a lack of competition allowed the US not only to position itself at the top of the world system (among the core countries), but also to dominate and to become a hegemon. After the collapse of the Soviet Union, there no longer was a country in the world, which would come up to the United States in military terms. Thus, currently the US is reasonably called the only world hegemon.

The US is the most economically powerful country in the world. According to the World Bank data, the gross domestic product (GDP) of the country was USD 19.39 trillion in 2017, which accounted for 19.3 percent of the world's GDP³⁸ (by comparison, GDP of China, which was the second-largest economic power, was USD 12.23 trillion in 2017 accounting for 15.4 percent of the world's GDP³⁹). Although the share of industry in the US economy has declined in the past few decades, the country remains one of the largest manufacturers of industrial products in the world. The performance of the U.S. industrial sector was USD 2.3 trillion in 2018, and China was the only one to surpass the United States in terms of this indicator⁴⁰. American companies, including Boeing, Microsoft, IBM, Exxon Mobil, Intel, Ford, General Motors, Microsoft, Time Warner, etc. are well-known throughout the world, and their produce is of the highest added value. American manufacturers dominate the aerospace, automotive, energy, computer and information technology, microelectronics, biomedical and many other high-tech industries.

The US owns most of private financial organizations operating in the world. 25 percent of the 500 major banks of the world are American capital banks. The largest city in the country New York is home to the largest stock exchange in the world (Wall Street), making the city the world's financial capital. The national currency of the United States (the US dollar) is the international settlement instrument (reserve currency). Finally, the United States has a significant influence over major international financial and trade organizations – the International Monetary Fund, the World Bank and the World Trade Organization.

Americans are rapidly adapting scientific and technological innovation for military and economic purposes. Promoting research and deployment of inventions in industry has a significant impact on the progress of the country. The US is home to some of the world's top universities and other colleges

³⁸ GDP, *World Bank data*, (<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US>; 2019-03-26).

³⁹ *Ibid.*

⁴⁰ Gross Domestic Product by Industry, *FRED economic data* (https://fred.stlouisfed.org/graph/?graph_id=376822&trn=2597; 2019-03-26).

and research centers, attracting the world's most talented scientists. The Silicon Valley, known as the American Center for Technology, is also a high-tech center of the world. Each year, the US government allocates 2.7 percent of the country's GDP for research and development (R&D). This is the first result in the world. American scientists lead the way in publications in high-impact international scientific journals. Hundreds of thousands of students from abroad have graduated from US colleges and universities⁴¹.

The US has the world's largest army. "Military power is one of the key factors in securing the status of the US as the hegemon"⁴². According to data of the Stockholm International Peace Research Institute (SIPRI), in 2017, countries of the world spent USD 1 739 billion on military needs, USD 610 billion of which was spent by the US. Military spending of the US accounted for 3.1 percent of the country's GDP and was about 35 percent of the world's spending and 71.1 percent of spending by NATO members⁴³ (by comparison, the military budget of China, which allocated 1.9 percent of GDP for military spending, was USD 228 billion in 2017, accounting for about 13.1 percent of the world's spending on defense⁴⁴).

The US has one of the largest nuclear arsenals in the world, an advanced air force and a fleet capable of carrying out missions in any ocean or sea in the world. Americans have the ability to precisely attack targets around the world, deploy its troops in any region of the world in a very short period of time⁴⁵ and has military technologies that no other country in the world has⁴⁶. There are 6 000 military bases operating in the US territory and more than 700 American military bases operating in 130 countries worldwide.

The US has a wide network of "client" countries. "Currently, at least 60 countries of the world depend on the US – the patron state"⁴⁷. The most advanced countries of the world, including northern and western European countries, Taiwan, Japan, South Korea, Israel and others, are US allies. The US is engaged in economic, military and political relations with many countries of the world, from Europe, Latin America and the Middle East to Southeast

⁴¹ Lopata R., Statkus N., „Empires, the World Order and Small States“, *Lithuanian Annual Strategic Review* 2005, 2006, 40-41.

⁴² Ibid., 53, op. cit.

⁴³ Tian Nan, Fleurant Aude, Kuimova Alexandra, Wezeman Pieter D., Wezeman Siemon T., „Trends in world military expenditure, 2017“, *Report of the Stockholm International Peace Research Institute*, 2018 (<https://www.sipri.org/publications/2018/sipri-fact-sheets/trends-world-military-expenditure-2017>; 2019-03-26).

⁴⁴ Ibid.

⁴⁵ Urbelis V., *Lietuvos vieta JAV Didžiojoje strategijoje*, Vilnius: Generolo Jono Žemaičio Lietuvos karo akademija, 2005, 46.

⁴⁶ Lopata R., Statkus N., 2006, 41.

⁴⁷ Ibid.

Asia, Oceania and Africa. Americans seek to retain their influence in most geographically important countries of the world located at the major crossroads of global trade and communications, who are in control of key raw materials. The US has a wide network of embassies and regional headquarters for armed forces to maintain and expand the network of “client” countries⁴⁸.

2.2. Changes in the Relative Power in the World System and their Impact on the US

A hegemon loses its dominant position in the world system when other core and semi-peripheral countries take over from it industrial production technologies that previously created preconditions for establishing its economic leadership (hegemony), and also step forward to develop more advanced technologies used in industrial production. The move of the industry having started in the 2nd half of the 20th century to the periphery and semi-periphery led to the decline of the US national industry and relative economic power in the global economic system, thus creating prerequisites for economic “peripheralization” of the US.

2.2.1. The precondition for the peripheralization of the US

In early 1970s, the administration of US President Richard Nixon started implementing the so-called ping-pong diplomacy with China. Not only did it open a new page in diplomatic relations with the largest Asian country, but it also opened the door for Chinese manufacturers to the huge US market, which provided them with a source of a strong foreign currency necessary for the development of agro-industrial sectors. Cheap labor force and a possibility to freely market production in the US market allowed China’s industrial sector to demonstrate impressive growth rates in the last few decades. The country’s industrialization was also boosted by foreign investments, including those of the US. In order to reduce production costs and thus accrue profits, an increasing number of American industrialists moved industry to China and other peripheral and semi-peripheral countries with lower labor taxation. In the long run, imported industrial produce helped to push more expensive American goods out of the market, leading to a shake-up in the US industrial sector.

⁴⁸ Ibid., 41-42.

According to statistics, since 1960s, the share of industry in US economy has continuously declined. In 1965, the US industry accounted for 53 percent in the US economy, it was 39 percent in 1988 and a mere 9 percent in 2004⁴⁹. The number of Americans working in the industrial production sector has also declined: from 24 percent in 1960 to 8 percent of the total workforce in the United States in 2016⁵⁰. Economists say there is an abundance of empirical data showing that it was the US industries that were directly exposed to the competition from cheap imports that suffered the most losses⁵¹.

The proponents of the so-called “post-industrial society” claim that the service sector compensates for job losses in industry. However, not all specialists agree with these findings. According to them, services do not create the same value added as that generated by high-tech industry⁵². The difficult socio-economic situation in the US Rust Belt region where thousands of Americans having lost employment are unable to find an alternative occupation or are forced to take up lower-paid jobs in the service sector perfectly illustrates this statement.

The north-central states of the United States, namely, New York, Pennsylvania, West Virginia, Ohio, Michigan, Illinois, Iowa and Wisconsin, were once known as the backbone of the US industry, or the Factory Belt. In 1960s, Detroit, the largest city in the state of Michigan, and the capital of the U.S. automobile manufacturing, was the richest city in America in terms of per capita income. However, in 2013, Detroit was forced to declare bankruptcy after failing to repay USD 18.5 billion in debt to its creditors⁵³. The main problem with Detroit and other similar US cities is a drastic job loss rate in industrial manufacturing. According to calculations, in 2000-2011, about 48% of jobs were lost in the industrial sector in Michigan alone, and the situation is even more difficult in other parts of the Rust Belt, where job losses in the industrial sector range from 50 to 60 percent.

Economists at Cornell and Massachusetts-Amherst University estimated that India alone could be “guilty” of the loss of about 700 000 jobs in the US, including well-paid jobs in industrial production. Based on the calculations of

⁴⁹ Morley Robert, „The Death of American Manufacturing“, The Philadelphia Trumpet, 2006 (<https://www.thetrumpet.com/2061-the-death-of-american-manufacturing>; 2019-04-13).

⁵⁰ Long Heather, „U.S. has lost 5 million manufacturing jobs since 2000“, CNN, 2016-03-29 (<https://money.cnn.com/2016/03/29/news/economy/us-manufacturing-jobs/>; 2019-04-13).

⁵¹ Notten Thomas, “Trump’s Rates – What Do They Actually Mean”, Versli Lietuva, 2018-04-06 (<https://enterpriselithuania.com/naujienos/trumpo-tarifai-ka-tiesu-jie-reiskia/>; 2019-04-13).

⁵² Guilford Gwynn, „The epic mistake about manufacturing that’s cost Americans millions of jobs“, Quartz, 2018-05-03 (<https://qz.com/1269172/the-epic-mistake-about-manufacturing-thats-cost-americans-millions-of-jobs/>; 2019-04-13).

⁵³ „Billions in Debt, Detroit Tumbles Into Insolvency“, The New York Times, 2013-07-13 (https://www.nytimes.com/2013/07/19/us/detroit-files-for-bankruptcy.html?pagewanted=all&_r=0; 2019-04-13).

the US Economic Policy Institute (EPI), the trade deficit with China had increased from 2001, when the country became a member of the World Trade Organization, till 2011, and resulted in the loss of another 2.7 million jobs in the US⁵⁴. NAFTA agreement brought about just as many losses. According to the EPI, NAFTA contributed to the loss of 682 000 jobs in the US, 61 percent (415 000) of which were well-paid jobs in the industrial sector⁵⁵. A slump in the industrial sector not only contributed to a decline in the standard of living in the US, but also increased the country's trade deficit, which is currently the largest in the world. The US deficit was USD 375 billion with China, which was the largest trading partner, alone, which is nearly three times more than the total export from the US to China and almost half of the total U.S. trade deficit⁵⁶. Economists warn that in the long run, the US will find it increasingly more difficult to pay off this debt, as the country's industry will no longer produce enough to sell on global markets. This may lead to a further decline in living standards in the US.

More importantly, moving out industrial production paves the way for economic "peripheralization". Moving industrial production to foreign countries brings with it some capital, tax, labor and technological potential. In addition, a country or countries whereto industrial production is moved do not need to reinvest in the development of the created technology. Instead, they can focus resources and attention on the development of these technologies or more advanced technologies, which would replace the existing ones, and their application in the industry.

2.2.2. Growth of economic-technological power of China and its impact on the US

The move of industrial production not only paved the way for economic "peripheralization" of the US, but also gave impetus to China approaching the core – the growth of economic and technological capabilities that increasingly affects the relative balance of power in the global economic system.

⁵⁴ „The growing trade deficit with China has led to a loss of 3.4 million U.S. jobs between 2001 and 2017“, Economic Policy Institute, 2018-10-23 (<https://www.epi.org/press/the-growing-trade-deficit-with-china-has-led-to-a-loss-of-3-4-million-u-s-jobs-between-2001-and-2017/>; 2019-04-13).

⁵⁵ Scott Robert E., „NAFTA's Legacy: Growing U.S. Trade Deficits Cost 682,900 Jobs“, Economic Policy Institute, 2013-12-17 (<https://www.epi.org/publication/nafta-legacy-growing-us-trade-deficits-cost-682900-jobs/>; 2019-04-13).

⁵⁶ Palumbo Daniele, „Charting the US-China trade battle“, BBC, 2018-07-06 (<https://www.bbc.com/news/business-44728166>; 2019-04-13).

While the United States is the most powerful country in the world in terms to many relative power indicators, the balance of relative economic power in the world system has been changing. If, after the end of the Cold War China's economy was about 3.8 percent of the world's GDP compared to 25 percent in the US, currently this ratio is 15.4 percent versus 19.3 percent of global GDP. Not only is China catching up with the US economically, but it is also rapidly increasing its technological potential, forming a network of "client" states, seeking access to strategic raw materials and markets, strengthening military capabilities, and so on.

In 2015, the Chinese government has announced the "Made in China 2025" decade-long economic development plan. According to the plan, China will aim to become the leading country in the next decade, developing next-generation information and biomedical technologies, robots, spacecraft, high-tech ships, high-speed rail, agricultural machinery, next-generation medical devices and other products⁵⁷. Achieving these goals requires targeted, consistent and well-funded research policy.

According to statistics, China allocated 1% of GDP to R&D each year during the 1990-2000 period, and since 2000, this amount has doubled to over 2% of GDP⁵⁸. In 2016, China spent a total of USD 370 billion on R&D, which accounted for 21% of global spending on R&D. In terms of this indicator, the Chinese lagged behind the Americans only, whose investments in R&D amounted to USD 476.5 billion in 2016 and accounted for a mere 25% of global spending on R&D⁵⁹. However, it should be noted that the relative share of the United States in global R&D funding has been declining – a few years ago, Americans spent 33% on R&D calculating of the total R&D spending of the world, and their spending accounted for 26.4% in 2016.⁶⁰ China has been rapidly catching up with the US in terms of this indicator: in 2012, Chinese spending on R&D accounted for 34 % of the US spending and in 2016 it was 80% of the US spending on R&D. The Chinese Government is committed to

⁵⁷ „Factbox: Made in China 2025: Beijing's big ambitions from robots to chips“, Reuters, 2018-04-20 (<https://www.reuters.com/article/us-usa-trade-china-policy-factbox/factbox-made-in-china-2025-beijings-big-ambitions-from-robots-to-chips-idUSKBN1HR1DK>; 2019-04-09).

⁵⁸ Research and development expenditure, *World Bank data* (<https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS?locations=CN>; 2019-03-16).

⁵⁹ „Innovators wanted: these countries spend the most on R&D“, Weforum.org, 2018-12-18 (<https://www.weforum.org/agenda/2018/12/how-much-countries-spend-on-r-d/>; 2019-03-15).

⁶⁰ Simon Denis, „How China is Catching Up To A U.S. Science & Tech Sector Uncertain Of Its Future“, Forbes, 2017-10-04 (<https://www.forbes.com/sites/outofasia/2017/10/04/how-china-is-quickly-catching-up-to-an-american-science-technology-sector-uncertain-of-its-future/#1ad6ceb56915>; 2019-03-16).

allocate 2.5% of GDP for R&D since 2020⁶¹. According to experts, if China meets these obligations, the largest Asian country will beat the US in terms of R&D spending in a few years.

Discussing the achievements of Chinese scientists, in 1993–2003, China ranked sixth in the world in terms of scientific output. During this period, research articles published by Chinese researchers accounted for 4.4% of all publications worldwide. During the period from 2004 till 2008, the number of research articles from China increased to 10.2% (counting worldwide publications), thus China outperformed Japan in terms of this indicator and ranked second in the world after the US. According to data of the US National Science Foundation (NSF), in 2016, the number of Chinese research and engineering publications exceeded that of US publications for the first time (426 000 versus 409 000)⁶². On the other hand, China is lagging behind the United States 26.4 to 18.6 % in terms of scientific publications in all areas of research (counting worldwide publications).

The World Intellectual Property Organization notes that the number of patent applications from China has been growing every year. Nevertheless, it should be noted that the level of technology transfer to production remains relatively low. It should also be emphasized that only very few articles by Chinese researchers end up in the most prestigious scientific publications of the world.

Nonetheless, impact factors of Chinese researchers have been improving each year – according to NMF data, in 2012-2016, the number of Chinese research publications in the world's top scientific journals increased from 24 to 40% counting of the number of articles published by US researchers. The Fund predicts that by 2025, Chinese researchers may beat Americans in terms of the number of publications in top-ranked international scientific journals, including *Science*, *Nature* and others⁶³.

R&D in China is mostly funded by the state, even though the private sector also contributes thereto. The main focus has been on STEM (STEM is an education curriculum that focuses heavily on the subjects of science, technology, engineering, and mathematics). More students complete STEM in China than in any other country in the world. Significant investments have been made in new laboratories, research centers, technology parks, etc. According to calculations, there are currently 17 national high-tech parks and 146 regi-

⁶¹ Schrock John Richard, „American science in decline as China's rises“, Universityworldnews.com, 2018-12-07 (<https://www.universityworldnews.com/post.php?story=20181207064734679>; 2019-03-16).

⁶² Showstack Randy, „China May Soon Surpass the United States in R&D Funding“, Eos.org, 2018-01-20 (<https://eos.org/articles/china-may-soon-surpass-the-united-states-in-rd-funding>; 2019-03-16).

⁶³ Ibid.

onal parks in China. The Chinese government plans to invest CNY 13.8 billion (USD 2.1 billion) in the Artificial Intelligence (AI) technology park being developed near Beijing, the capital of China, where projects related to AI and cloud computing will be implemented in the future.

There are about 5 000 high-tech incubators operating in China that provide financing and consultations to start-ups. The largest incubator of this kind is the Zhongguancun technology hub, known as China's Silicon Valley. The hub has nearly 40 universities, more than 200 national research institutions and 67 state laboratories. There are more than 20 000 high-tech companies established in Zhongguancun, including the top ten global AI technology companies, some of which are US-based (such as Microsoft, Google, Intel, etc.)⁶⁴.

The Chinese government and private companies invest billions of dollars in foreign high-tech companies each year. Since 2010, Chinese investment in the US high-tech sector exceeded USD 1 billion each year, and reached a record USD 6 billion dollars in 2014. China is interested in a wide range of American companies, from car manufacturing and information technology to aerospace, medical equipment manufacturing, and the like.

Chinese capital companies are catching up with their rivals from core countries, and some have already outpaced them. For example, Chinese retail giant Alibaba outperformed US companies of this type in terms of trade volume in 2019 (USD 5 636 trillion versus USD 5 529 trillion) and became the largest in the world. Alibaba and other Chinese companies also dominate the global online retail market with 55.8% of the global market share. According to forecasts, the share of Chinese companies will grow to 63% in this market till 2020, while the US share will drop to 15%⁶⁵.

China dominates the market of electric vehicles. According to estimates, in 2018, more electric and hybrid cars were sold in the country than in the rest of the world combined (about 1.3 million). According to forecasts, in 2019, China will sell a total of 1.6 million electric cars and in 2020 – 2 million electric cars, most of which will come from local manufacturers (for comparison, 361 000 electric cars were sold in the U.S. in 2018)⁶⁶.

⁶⁴ Büchenbacher Katrin, „How China's economic reforms made way for Zhongguancun – China's Silicon Valley – to become a transnational innovation hub“, *Global Times*, 2018-06-28 (<http://www.globaltimes.cn/content/1108701.shtml>; 2019-03-16).

⁶⁵ Saiidi Uptin, „China will this year surpass the US in total retail sales for the first time: Forecast“, *CNBC*, 2019-01-24 (<https://www.cnbc.com/2019/01/24/china-to-surpass-the-us-in-retail-sales-for-the-first-time-forecast.html>; 2019-03-17).

⁶⁶ Silverstein Ken, „China's Electric Vehicles Could Outrun Those In The U.S., Japan and Germany“, *Forbes*, 2019-01-13 (<https://www.forbes.com/sites/kensilverstein/2019/02/13/chinas-electric-vehicles-could-outrun-those-in-the-u-s-japan-and-germany/#4ecfb3936b7a>; 2019-03-17).

Not only Chinese electric car manufacturers, such as Nio, Xpeng, Geely, BAIC or BYD, but also battery manufacturers have secured strong positions in global markets. Chinese Contemporary Amperex Technology Co. Limited (CATL) is currently the world's largest manufacturer of lithium-ion batteries, energy storage and control systems, supplying batteries to even the largest car manufacturers in Western Europe (such as Volkswagen, BMW and Daimler, etc.)⁶⁷. Japan's Panasonic, China's BYD, OptimumNano Energy Co. Ltd. and South Korea's LG Chem Ltd. rank behind CATL.⁶⁸

Currently, three of the world's five largest smartphone manufacturers are Chinese-based. For example, in 2018, the Chinese telecommunications giant Huawei sold more smartphones than the American Apple and occupied 15.8% of the global market, meanwhile Apple's share of the global market was 12.1% that year. In terms of sales, Huawei was second only to renown South Korea-based Samsung Electronics, which held 20 percent of the global smartphone market⁶⁹. Lenovo manufacturing PCs has demonstrated impressive growth rates. With 22.5% of the global PC market share in 2018, Lenovo has become the world's largest manufacturer and seller of these devices, outperforming America's HP Inc.⁷⁰

But there are economic sectors where China lags behind the US and other core countries. One is the strategically important sector of designing and manufacturing semiconductor devices, which are considered the brains of smartphones, computers, robots and other complex devices. According to World Semiconductor Trade Statistics, the semiconductor device market is the fastest growing in the world: in 2017, the sales of semiconductor devices totaled USD 412 billion, and USD 450 billion – in 2018⁷¹. While Chinese companies (such as JCET, Tianshui Huatian, TFME, etc.) are strong in the field of prefabricated chip assembly, 75-80% of semiconductors they produce

⁶⁷ Preisinger Irene, „German carmakers left reliant on others for battery cells“, Reuters, 2018-07-09 (<https://www.reuters.com/article/us-germany-china-batteries/german-carmakers-left-reliant-on-others-for-battery-cells-idUSKBN1JZ0C0; 2019-03-17>).

⁶⁸ Spring Jake, „Power surge: Chinese electric car battery maker charges for global market“, Reuters, 2016-12-26 (<https://www.reuters.com/article/us-china-autos-batteries-idUSKBN14E0K1; 2019-03-17>).

⁶⁹ Scipioni Jade, „China's Huawei surpasses Apple in smartphone sales“, FOX Business, 2018-08-01 (<https://www.foxbusiness.com/features/chinas-huawei-surpasses-apple-in-smartphone-sales; 2019-03-16>).

⁷⁰ „Gartner Says Worldwide PC Shipments Declined 4.3 Percent in 4Q18 and 1.3 Percent for the Year“, Gartner, 2019-01-10 (<https://www.gartner.com/en/newsroom/press-releases/2019-01-10-gartner-says-worldwide-pc-shipments-declined-4-3-perc; 2019-03-16>).

⁷¹ Knell Theresa, „Analysis of China semiconductor industry: Sales in 2019 are expected to lead global development“, MaschinenMarkt International, January 1, 2019 (<https://www.maschinenmarkt.international/analysis-of-china-semiconductor-industry-sales-in-2019-are-expected-to-lead-global-development-a-789275; 2019-03-13>).

are not high-end products. Today, foreign companies, including South Korea's Samsung Electronics, US Qualcomm, Nvidia, Intel, AMD, Micron, Taiwan's Taiwan Semiconductor Manufacturing Company (TSMC), etc., design and manufacture the most powerful chips for smartphones or cloud computing systems. China is struggling with high-end chip production. As a result, Chinese manufacturers are forced to import most of the high-end semiconductor devices. Statistics show that in 2016 Chinese companies bought semiconductor devices for more than USD 160 billion with domestic producers meeting slightly over a third of that demand⁷².

Since chips are crucial for high-tech development, in 2014, the National Investment Integrated Circuits Industry Fund was established in China to fund R&D in the semiconductor industry. One of the goals of the "Made in China 2025" strategy is to significantly increase domestic chip manufacturing. China expects domestic chip manufacturing industry revenue, which was USD 65 billion in 2016, to reach USD 305 billion in 2030, when local suppliers will meet most of the domestic demand for the chips.

Over the past few years, the Chinese have tried a variety of tactics to take over the semiconductor device manufacturing knowledge (know-how), from acquiring foreign companies, establishing joint-ventures, to making tens of billions of dollars in investments. However, semiconductor device market analysts note that this tactic has not yet lived up to expectations⁷³. However, it should be noted that Chinese companies are gradually gaining experience in producing higher value chips. For example, Huawei-owned HiSilicon and state-owned Tsinghua Unigroup rank among the top 10 global chip design companies in terms of revenue. According to experts, chips for the latest Huawei smartphones designed by HiSilicon are no worse than those designed by Western companies.

China has been actively looking for more advanced technology, for example, making large investments in quantum computing. Chinese scientists have already made some important discoveries in quantum physics. In 2017, they launched the *Mozi* quantum communication satellite, the first commu-

⁷²"Semiconductor Industry and the Power of Globalization: the US and China Compete for Tiny Components", Alfa.lt, 2019-01-27 (<https://www.alfa.lt/straipsnis/50364271/puslaidininkiu-pramone-ir-globalizacijos-galia-jav-ir-kinija-konkuruoja-del-mazyciu-komponentu>; 2019-03-27).

⁷³Choudhury Saheli Roy, „China will take a ‚long time‘ to catch up to memory chip rivals, industry expert says“, CNBC, 30 Aug 2018, (<https://www.cnbc.com/2018/08/30/china-will-take-time-to-catch-up-to-memory-chip-rivals-expert-says.html>; 2019-03-13).

nications satellite of its kind in the world⁷⁴, and conducted an important test involving quantum teleportation⁷⁵. It was announced that same year that USD 10 billion are planned in investments in the world's largest quantum research center in Hefei the purpose of which is to develop a quantum computer and other "revolutionary" forms of technology⁷⁶. Out of the 500 most powerful supercomputers currently used in the world for modeling meteorology, genetic engineering, nuclear power, genetic engineering and other complex processes, 202 operate in China and 143 – in the US. Japan ranks third with 35 supercomputers, followed by Germany (20) and the United Kingdom (15)⁷⁷. China is said to be actively developing 5G Internet technology, which is likely to be the backbone of the global information economy in the future.

China is the world leader in artificial intelligence (AI) technology development. The government and major corporations in the country, including Baidu, Alibaba and Tencent, invest tens of billions of dollars in the development of the AI sector each year. In 2017, Baidu opened an AI technology center in Silicon Valley, California, for the development of brain-based AI technology, and in 2018, Tencent announced that it was launching an AI startup laboratory in Seattle, the USA⁷⁸. According to estimates, Chinese investments accounted for as much as 48 percent of global investments in the AI sector in 2017⁷⁹. A few years ago, Baidu, Alibaba and Tencent formed an alliance that is expected to conduct research related to AI technology in various areas. Alibaba will be responsible for the so-called "smart cities" and Tencent – for computer vision and medical software.

In conclusion, it should be mentioned that many national engineering laboratories were set up in China, working on both new and ultra-modern

⁷⁴ "China Launched the World's First Quantum Communication Satellite", Delfi.lt (Technologijos.lt), 2017-01-23 (<https://www.delfi.lt/mokslas/technologijos/kinija-pradejo-ekspluatuoti-pirmaji-pasaulyje-kvantinio-rysio-palydova.d?id=73510304>; 2019-03-18).

⁷⁵ "Experiment in Quantum Physics Conducted by Scientists Promises a Breakthrough in Communications Security", Delfi.lt (BNS), 2017-06-17 (<https://www.delfi.lt/mokslas/mokslas/mokslininku-kvantines-fizikos-eksperimentas-zada-proverzi-rysiu-saugumo-srityje.d?id=74971398>; 2019-03-18).

⁷⁶ Chen Stephen, „China building world's biggest quantum research facility“, South China Morning Post, 2017-09-11 (<https://www.scmp.com/news/china/society/article/2110563/china-building-worlds-biggest-quantum-research-facility>; 2019-03-17).

⁷⁷ Huang Echo, „This is how dramatically China's beating the US in its share of supercomputers“, Quartz, 2018-06-25 (<https://qz.com/1313477/top-500-supercomputers-china-is-far-ahead-of-the-us-in-its-share-of-the-top-machines/>; 2019-03-17).

⁷⁸ Fischer Sophie-Charlotte, „Artificial Intelligence: China's High-Tech Ambitions“, ETH Zürich Center for Security Studies, 2018-02-08 (<http://www.css.ethz.ch/en/center/CSS-news/2018/02/artificial-intelligence-chinas-high-tech-ambitions.html>; 2019-03-13).

⁷⁹ Saiidi Uptin, „China could surpass the US in artificial intelligence tech. Here's how“, CNBC, 2018-12-13 (<https://www.cnbc.com/2018/12/14/china-could-surpass-the-us-in-artificial-intelligence-tech-heres-how.html>; 2019-03-13).

models, such as “deep learning”, and machine intelligence techniques that are not yet possible.

2.3. Trump’s Protectionism

Since 2016, Trump’s administration announced a series of protectionist measures withdrawing from the TPP agreement⁸⁰, reviewing NAFTA agreement⁸¹ and freezing negotiations for the Transatlantic Trade and Investment Partnership Agreement (TTIP)⁸². In January 2018, Trump announced 30-50% duties on washing machines and solar panels imported from South Korea and China⁸³. In June of the same year, Trump introduced new duties on imported steel and aluminum for the US major trading partners the European Union, Canada and Mexico⁸⁴, and in August, the US doubled duties on Turkish steel and aluminum imported to the country⁸⁵ and set a 25% tariff on imports from China valued at USD 34 billion⁸⁶ saying this was done in the interest of national security. Finally, in October 2019, the US imposed duties on USD 7.5 billion worth goods from the European Union, including French wine and Scotch whiskey⁸⁷.

It should however be noted that neither Trump nor influential officials in his administration have hinted that they would consider taxing all imports from China or other countries of the world. They understand that this would cause a serious damage to the US economy and adversely affect the domestic socio-

⁸⁰ „Trump signs order withdrawing U.S. from Trans-Pacific trade deal“, Reuters, 2017-01-23 (<https://www.reuters.com/article/us-usa-trump-executiveorders-idUSKBN1572AF>; 2019-03-19).

⁸¹ Rampton Roberta, „U.S., Canada, Mexico sign trade deal, Trump shrugs off Congress hurdle“, Reuters, 2018-11-30 (<https://www.reuters.com/article/us-g20-argentina-usmca/u-s-canada-mexico-sign-trade-deal-trump-shrugs-off-congress-hurdle-idUSKCN1NZ0HE>; 2019-03-19).

⁸² Blenkinsop Philip, „U.S. trade talks in deep freeze after Trump win, says EU“, Reuters, 2016-11-11 (<https://www.reuters.com/article/us-usa-election-eu-trade-idUSKBN1361UN>; 2019-03-19).

⁸³ „US ‘America First’ tariffs on washing machines and solar panels anger China, South Korea“, Deutsche Welle, 2018-01-23 (<https://www.dw.com/en/us-america-first-tariffs-on-washing-machines-and-solar-panels-anger-china-south-korea/a-42265905>; 2019-03-19).

⁸⁴ „US slaps steel and aluminum tariffs on the EU“, Deutsche Welle, 2018-05-31 (<https://www.dw.com/en/us-slaps-steel-and-aluminum-tariffs-on-the-eu/a-44014510>; 2019-03-19).

⁸⁵ „Erdogan: Alliance with US at risk, Turkey target of ‘trade war’“, Al Jazeera, 2018-08-11 (<https://www.aljazeera.com/news/2018/08/erdogan-alliance-risk-turkey-target-trade-war-180811183650835.html>; 2019-03-19).

⁸⁶ „Trump slaps tariffs on \$200 bln in Chinese goods, threatens \$267 bln more“, Reuters, 2018-09-18 (<https://www.reuters.com/article/usa-trade-china-tariffs/trump-slaps-tariffs-on-200-bln-in-chinese-goods-threatens-267-bln-more-idUSWIN1VC01L>; 2019-03-19).

⁸⁷ „The US has introduced duties on EU goods, including wine and whiskey“, 15min.lt, 2019-10-18 (<https://www.15min.lt/verslas/naujiena/finansai/jav-ivede-muitus-es-prekems-iskaitant-vyna-ir-viski-662-1218862?copied>; 2019-10-26).

economic situation in the country. About 60 percent of US companies engaged in industrial production in China have faced or plan to face significant financial losses if Washington engages in a trade war with Beijing. Losses of 18 major companies, including Boeing, Nike, Apple, etc., alone would exceed USD 158 billion annually due to a potential trade war with China. Statistics show that in 2017, American companies invested around USD 14 billion in China, and total US investments in China are estimated at hundreds of billions of dollars⁸⁸. Trade wars would not only jeopardize these investments, but they would also significantly reduce excess profits of US corporations, which amortize domestic socio-economic rivalries in the US. In light of the above, there are many believers that the US-China conflict over duties is primarily related to Washington's pursuit to constrain the strengthening of China's high-tech sector.

Trump has repeatedly criticized China for forcing US investors to transfer production technology rights to its companies, using "predatory" licensing practices, and for stealing intellectual property. In 2017, the White House directed the U.S. Department of Commerce to conduct an investigation to check if China was not engaging in industrial espionage in the US. The decision came after a report by the US Commission on Theft of American Intellectual Property (IP Commission) stating that the US suffered USD 600 billion losses due to intellectual property theft each year. The report indirectly referred to China as the main culprit for these losses⁸⁹. Then senior officials of the US President administration spoke about plans to impose restrictions on technology exports to prevent American technology being transferred to China and other third countries⁹⁰. It should be noted that chips that are crucial for the development of the high-tech industry are among the commodities, the exports of which to China is to be restricted.

Back during the term of office of Trump's predecessor, Barack Obama, the US authorities banned private companies, including Intel, from supplying high-end chips to Chinese laboratories developing supercomputers⁹¹. In 2017, Trump banned Singapore-based Broadcom from taking over Qualcomm, the American smartphone chip manufacturer (Qualcomm is considered to be

⁸⁸ Direct investment position of the United States in China from 2000 to 2017 / Statista, (<https://www.statista.com/statistics/188629/united-states-direct-investments-in-china-since-2000/>; 2019-04-14).

⁸⁹ Wiseman Paul, „Counterfeiters, hackers cost US up to \$600 billion a year“, Associated Press, 2017-02-24 (<https://apnews.com/2234bddc68c14ba18d4d403442187c59>; 2019-03-18).

⁹⁰ Wells Sarah, Leonard Jenny, „Trump Moves Forward With Plans to Tighten U.S. High-Tech Exports“, Bloomberg, 2018-11-20 (<https://www.bloomberg.com/news/articles/2018-11-20/trump-threatens-high-tech-export-curbs-in-latest-swipe-at-china>; 2019-03-18).

⁹¹ „US nuclear fears block Intel China supercomputer update“, BBC, 2015-04-10 (<https://www.bbc.com/news/technology-32247532>; 2019-03-18).

one of the world's leaders in the development and standardization of 5G technology, owning 15% of the key 5G-related patents. By comparison, Chinese companies involved in the creation of 5G market hold about 10% of patents of the market). US security experts warned that having merged Qualcomm with Huawei, China would potentially start dominating the global market for 5G communications. This would mean that in the near future, the American military would be forced to rely on telecommunications equipment made in China⁹².

In the fall of 2018, the US banned the supply of important domestic-made components to Chinese smartphone manufacturers ZTE for seven years. According to calculations, American Qualcomm, Intel and other technology companies sell 25-30% of all components used in the manufacture of smartphones, base station equipment and other products to ZTE.

The Trump administration tightened restrictions on foreign investment in strategic sectors. According to new rules, the leader of the country was granted broad powers to block foreign investments in important sectors of the economy and investments deemed potentially harmful to the US national security. In turn, the US Committee on Foreign Investment acquired the right to evaluate any investment in any US company in one of the 27 core sectors rather than takeovers only. Core sectors include aeronautics, telecommunications, computers, semiconductors and batteries⁹³.

In October 2018, the US Department of Commerce announced sanctions against China's Fujian Jinhua Integrated Circuit Co. Ltd., a manufacturer of memory chips for computers, smartphones and other devices. The company was accused of industrial espionage against the American company Micron Technology Inc. Accusations were also brought against Taiwanese company United Microelectronics Corporation, which partners with Fujian Jinhua⁹⁴ and China's giant Huawei. US authorities accused Huawei of stealing technology and violating sanctions on Iran. Huawei was linked to coordinated efforts

⁹² Aiello Chloe, „Trump blocks Broadcom-Qualcomm deal, citing national security concerns“, CNBC, 2018-03-12 (<https://www.cnbc.com/2018/03/12/trump-issues-order-prohibiting-broadcoms-bid-to-take-over-qualcomm.html>); 2019-03-18).

⁹³ Lawder David, Chiacu Doina, „Trump to use U.S. security review panel to curb China tech investments“, Reuters, 2018-06-28 (<https://www.reuters.com/article/us-usa-trade-china/trump-administration-to-use-review-panel-to-curb-china-tech-investments-idUSKBN1JN1K0>); 2019-03-18).

⁹⁴ Lawder D., „U.S. restricts exports to Chinese semiconductor firm Fujian Jinhua“, Reuters, 2018-10-29 (<https://uk.reuters.com/article/uk-usa-trade-china-semiconductors/u-s-restricts-exports-to-chinese-semiconductor-firm-fujian-jinhua-idUKKCN1N32DI>); 2019-03-18).

to steal technology from T-Mobile's laboratory in Washington state⁹⁵. After the incident, the US government banned military and government employees from using equipment from Huawei, ZTE and other Chinese manufacturers. The leaders of the three major US intelligence agencies – the Federal Bureau of Investigation, the Central Intelligence Board and the National Security Agency – warned that intelligence activities may be carried out using phones made in China. Intelligence authorities demanded major US operators, including AT&T, Sprint, Best Buy and others, to stop selling Huawei phones⁹⁶, and two U.S. senators suggested to Canada to exclude Huawei from its plans to build the country's high-speed 5G mobile networks.

It should be said in conclusion that in the beginning of 2019, Trump ordered the government to focus more on the development of AI technology. The President's decree "American AI Initiative" called on the administration allocating all the available resources to help stimulate innovation in artificial intelligence⁹⁷. In addition, Trump encouraged US companies to step up the development of 5G mobile to prevent China from using the technology first.

So, what do the reviewed decisions of the Trump administration reveal? Obviously, the US government takes every effort to limit the development of China's technology sector. The goal is to prevent China (and other competing economic powers) from taking the lead in the development and manufacturing of high-tech industrial products, which are the basis of US hegemony.

Structural restrictions prevent the return of industrial production to the United States. However, this is not necessarily the goal of the US Government *per se*. Through protectionism, the Trump administration may try to revive specific sectors of the country's industrial production (such as steel and aluminum, solar panels, manufacturing of washing machines, etc.) that face competition from imports. Or this is a government's warning to US corporations that they will not be allowed to move even more industrial production (especially high-tech products) from the US, or otherwise they will not be able to operate freely in the US market.

⁹⁵ "The US has Accused Huawei of Stealing Technology and Breaching Sanctions", 15min.lt, 2019-01-29 (<https://www.15min.lt/mokslasit/straipsnis/technologijos/jav-apkaltino-huawei-technologiju-vagystemis-ir-sankciju-pazeidimais-646-1094546?copied>; 2019-03-18).

⁹⁶ "Looks like Huawei is in trouble: Americans Launched an investigation that Could Ban Android", 15min.lt, 2018-04-26 (<https://www.15min.lt/mokslasit/straipsnis/technologijos/huawei-pakvipo-ziauriais-nemalonumais-amerikieciai-emesi-tyrimo-kuris-gali-uzdrausti-android-naudojima-646-962776>; 2019-03-18).

⁹⁷ The US President has urged the government to prioritize artificial intelligence, 15min.lt (BNS), 2019-02-12 (<https://www.15min.lt/mokslasit/straipsnis/technologijos/jav-prezidentas-ragina-vyriausybe-dirbtini-intelekta-laikyti-prioritetu-646-1101282>; 2019-03-18).

3. The Impact of US International Economic Policy on Transatlantic Relations

Since Trump became President of the United States, relations with the transatlantic community have intensified. The US and the Western European countries did not reach an agreement on the construction of the Nord Stream 2 pipeline, on the Iran nuclear programme and climate change, the European military and, of course, duty rates.

After Trump announced in December 2017 that the US would move its embassy from Tel Aviv to Jerusalem, British, German and French leaders said that they would not follow Trump's example. On the contrary, they criticized the decision as the one destabilizing situation in the Middle East. In 2018, Trump announced US withdrawal from the Comprehensive Agreement on the Iranian Nuclear Programme signed in 2015, where Tehran agreed to freeze its nuclear programme in exchange for the lifting of international sanctions. The French President Emanuel Macron, the German Chancellor Angela Merkel and other influential European politicians resented this decision, which they believed to be ruining the deal that was so hard to reach. In summer 2018, Trump attacked Germany, claiming that it had been caught in Russian captivity for its dependence on Russian gas. The US leader added that the Nord Stream gas pipeline strengthens NATO's rival Russia and threatened to punish German and foreign companies involved in the pipeline's construction. In the fall of 2018, Macron's idea of a European army that would protect the Old Continent from China, Russia and the United States, provoked severe Trump's criticism.

Two aspects should be taken into account in order to explain these disagreements. First, countries in the world system compete with each other to improve or protect their positions. The third "player" (China) is exerting pressure not only on the US but also on Western European countries, which results in natural competition between the allies. Second, the US seeks to exert influence in geostrategically important regions of the world, for example those, which supply competing economic powers, and China first of all, with strategic raw materials. Such countries include Iran and Russia. However, these countries maintain close economic and energy relations with Western European countries. The unilateral pressure exercised by the United States on these countries is not in the interests of the major Western European countries. Third, Trump addresses domestic policy challenges and seeks to mobilize his electorate through foreign policy instruments. This leads to critical US rhetoric towards its allies.

Despite these arguments, tensions in the transatlantic space will not reach critical levels. Following the invasion of Iraq in 2003, the transatlantic community also experienced a relationship crisis, but there were no tectonic shifts. The issue of defense financing could be the only issue to provoke a more serious conflict, because the more the relative economic power of the United States diminishes, the more Washington will press European states to make a greater contribution to their defense. However, while Trump criticizes Western European countries for their defense financing, close relationships with Russia, and the Nord Stream 2 pipeline, the US does not see Western European countries as its major (economic) competitors. Rather, the US is interested in Western Europe's support to counterbalance China's economic influence. Thus, it is likely that Americans will take efforts to engage Western European countries in a coalition against China, rather than acting alone or in conflict.

Another possible scenario is inviting Russia to join the coalition in the future, as the recently intensified economic-energy alliance between China and Russia is not in the geostrategic interest of the US. Such dynamics of US-Russian relations would have a significant impact on Lithuania's international position – the importance of the Baltic States and Poland in the US security architecture would diminish. On the other hand, Central and Eastern European countries are unlikely to lose interest of the United States, as they could become representatives of US economic and political interests in the European Union.

Conclusions

The paradigm of the World system analyses the impact of economic factors on politics. Representatives of the perspective call for attention to the international hierarchical work sharing in the global capitalist economy based whereon the position of a country in the international network of capitalism can be determined.

Traditionally, three main geo-economic zones are distinguished: the core, the semi-periphery and the periphery. Countries that produce and export the most technologically advanced products with the highest added value are categorized as the core geo-economic zone. Since the produce manufactured and sold by core countries is relatively expensive, the countries in this geo-economic zone have the most capital, thus residents of the countries earn and consume the most.

Countries in the periphery and semi-periphery geo-economic zones mainly produce and export cheap industrial and agricultural products or raw

materials, importing expensive high-tech industrial products from the core. This imbalance results in low wages and high prices in the periphery, as well as the emigration of their population to core countries.

Representatives of the World system perspective recognize that countries can move from one geo-economic zone to another. Semi-peripheral countries can access the core, if they manage to take over from the core certain production technologies, to develop them and to later protect themselves from competition from products manufactured by the core. Core countries can “peripheralize”, if industrial production (especially high-tech) is moved from them to the periphery, with capital, taxes, workforce and technological potential of the country.

At certain periods of time in history, one of the core countries gains an economic and military advantage over the others and becomes a hegemon of the world system. However, countries retain this status for a relatively short period of time. A hegemon suffers a recession when other core or semi-peripheral countries take over from it and introduce in the industry the technologies that allowed it to achieve hegemony, also developing and using advanced technologies in production. A new economic power takes the place of the old hegemon after its recession.

After the Cold War, the US is the only hegemon in the world. The economic, technological and military power of the United States surpasses that of the rest of the core countries. Americans dominate the global trading and financial sectors. However, the US is slowly losing its leading position in the industrial production sector.

The decline in US economic power was driven by a decline of the national industrial sector related to the move of production to cheap labor countries. Not only did this pave the way for economic “peripheralization” of the US, but it also gave impetus to the growth of China’s economic-technological power, which has increasingly affected the relative balance of economic power in the world system.

Recently, the high-tech industry sector has been rapidly establishing in China, and its successful development provides a solid basis for the country to rise to the core of the world system. That would mean competition for the US, which currently is the hub for cutting-edge technology in the world. For this reason, the US government is looking for measures to help halt the growth of China’s economic-technological growth, and protectionist policies are one of such measures.

Since 2016, the Trump administration has actively sought to halt the process of moving high-tech industrial production out of the US, reduce de-

pendence on foreign imports, and stop the growth of economic and technological power of rival economies.

In the short-term perspective, these policies can bring positive results. If the Trump administration manages to constrain the move of high-tech industry, this will create conditions to protect jobs and to maintain a reasonably high standard of living in the country, as the industrial sector generates a relatively high added value. In addition, protectionist policies can help reduce US dependency on import, which will make the US more autonomous and less vulnerable to policies of other countries.

However, in the long term, the US will find withstanding competition from other centers of global economic power increasingly more difficult, because the return of industrial production is a difficult task, and competing global economic powers will further increase pressure on the US economy by strengthening both production and intellectual capabilities. In the future, the US is likely to be forced to defend its economic interests even more persistently, and will engage in pursuing protectionist policies more actively, which will lead to tensions felt internationally.

These tensions may also manifest in the transatlantic community. Still, Americans are more likely to take effort to involve Western European countries in a coalition against China than to hinder the transatlantic unity. Thus, the international environment of Lithuania and other Central and Eastern European countries will remain unchanged, unless the US will engage in a more active search for touchpoints with Russia in the future and will be willing for Moscow to join the coalition against Beijing. In that case, the importance of the Baltic States and Poland to the United States would change – from being allies in the field of security and defense, they could become representatives of US economic interests in the European Union.

Vilnius, October 2019