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Analysts often describe today's world as multipolar, with great powers seeking to assert distinct "spheres of influence." In the United States, this framing recurs in debates over U.S. interests in the world. Yet even as competition with China intensifies, American strategy—as illustrated by the 2025 National Security Strategy[1]—emphasizes a focus on the Western Hemisphere.

This commentary argues that "spheres of influence" are not economically and strategically tenable for the United States and China. Both powers are far from being self-sufficient regional economies and fundamentally depend on the global economy for their sustainability. China's policymakers seem aware of the need for global scale. It should also be clear to U.S. policymakers that dominating neighboring regions would not ensure U.S. economic stability.

If economic motivations outweigh ideological ones—an uncertain assumption given historical precedents—the United States and China will need to seek a cooperative equilibrium. For the sake of provocative thinking—albeit under a highly unrealistic assumption in the U.S. context—such a cooperative equilibrium would be easier to achieve if both countries expanded their welfare systems, thereby reducing their structural imbalances between savings and investment and strengthening citizens' demand for internal and external stability.

The impossibility of autarky

Geopolitical fragmentation inevitably entails some form of economic and financial fragmentation. A "spheres of influence" scenario would require China and the United States to retreat into their respective economic backyards. Both powers are indeed seeking to become more self-sufficient in areas where they depend on international partners. However, given their current economic and financial structures, genuine self-sufficiency is likely unattainable.

Both China and the United States face structural savings-investment imbalances that make a closed-economy model unsustainable. China records a national savings rate exceeding 43% of gross domestic product (GDP)—far more than it can productively invest at home—while the United States saves only 18% of GDP, too little to finance the investment needed to maintain its technological leadership.

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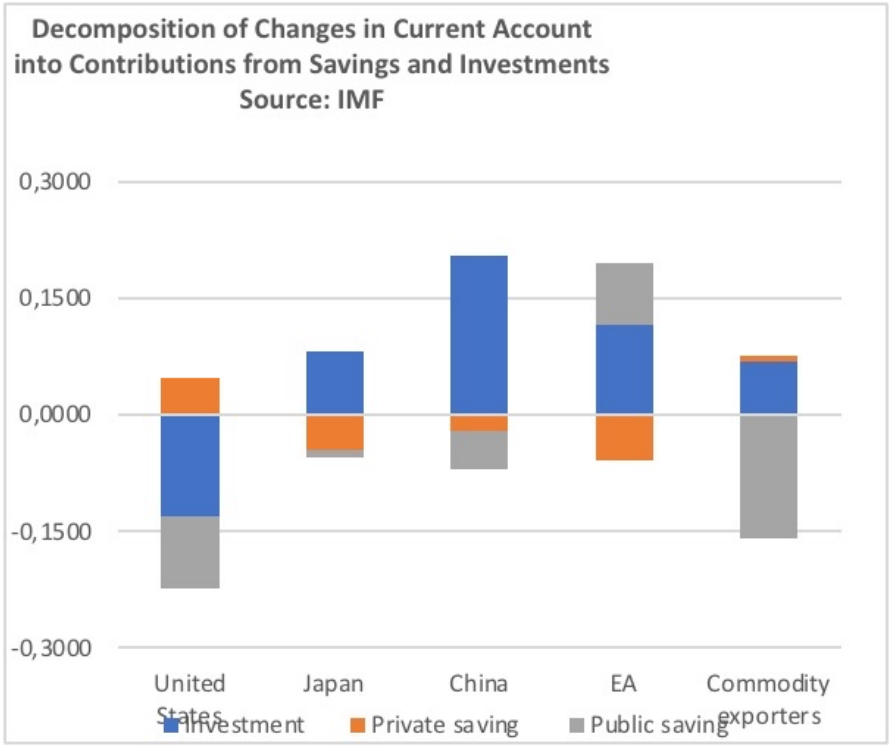
[1] https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf



The United States' and China's parallel economic imbalances have created a structural complementarity that has sustained global growth for years: Chinese savings financed American consumption, while the U.S. market absorbed Chinese production. Over the 12 months through September 2025, the United States ran a total trade deficit[2] of around $1 trillion, while China posted a surplus exceeding $1.2 trillion. According to the International Monetary Fund's 2025 External Sector Report,[3] these current account divergences markedly increased in 2024, driven by domestic macro imbalances.

Public discourse in both countries rarely acknowledges these domestic imbalances. Yet the economic evidence undermines the notion that either power can become self-sufficient within a regional sphere of influence. Latin America, often cited as the United States' natural economic hinterland, cannot provide the necessary capital that the American economy requires. The region has an average savings rate[4] of around 18% of GDP, which is insufficient even for its own developmental needs.

China faces similar constraints. Although China would face more favorable conditions from trading with Indo-Pacific economies, these economies could not absorb China's excess manufacturing output. The countries of the Association of Southeast Asian Nations, while growing strong, import less than half of China's global surplus and often serve as transit hubs for the re-export of Chinese goods to third countries. China's trade with Europe, Latin America, and Africa—plus its $1 trillion Belt and Road Initiative across more than 140 countries—demonstrates that global engagement is an economic necessity for Beijing.

[2] https://www.jec.senate.gov/public/vendor/_accounts/JEC-R/trade/Monthly%20Trade%20Update%20(Summary%20PDF).pdf
[3] https://www.imf.org/en/publications/esr/issues/2025/07/22/external-sector-report-2025
[4] https://data.worldbank.org/indicator/NY.GDS.TOTL.ZS?locations=ZJ

Chinese interest in Arctic routes is particularly revealing. China has defined itself as a "near-Arctic state" as global warming opens new routes for trade and passage through the Arctic. The Northern Sea Route, for example, could reduce the distance between Shanghai and Rotterdam by approximately 3,000 nautical miles.[5] China has massively invested in Russia and the Nordic countries to enhance its presence along the Arctic Sea routes. This strategy only makes sense in a logic of global, not regional, trade.

The U.S. economy exhibits a less obvious vulnerability to the unwinding of globalization. It is increasingly marked by a structural duality: strong advanced sectors on one side and lagging traditional sectors on the other. The latter will struggle to generate sufficient demand for advanced products. Advanced technology sectors—software, biotechnology, advanced semiconductors, and artificial intelligence (AI)—show robust growth with operating margins often above 30%. Meanwhile, traditional manufacturing sectors have seen the manufacturing share of GDP decline from 28% in 1953 to 10.3% in 2023.

In 2025, investors began questioning the gap between sky-high AI sector valuations and actual returns. As Gita Gopinath noted,[6] "AI companies will soon have to confront a harsh challenge: prompts cost money, which means subscriptions will need to rise. Twenty dollars a month won't cover prompt costs or sustain the infrastructure arms race against new challengers." High prices for advanced products risk pricing out households that are already struggling to make ends meet.

This domestic divergence has profound political consequences. Electoral districts dominated by traditional industries increasingly favor protectionism, while technological hubs advocate for economic openness. Geographic polarization in recent American elections partially reflects this economic divide. Current U.S. economic policies—including mercantilist trade measures, reduced immigration, political interference in leading firms, and disruptions to the international trade and financial order—may worsen pressures on traditional sectors. Meanwhile, financial deregulation, AI's adoption into business processes, and innovations in payments and digital finance could boost profits and productivity in the most advanced sectors.

Historically, the United States has mitigated these imbalances by shifting resources toward high-tech sectors while importing standardized goods. However, technologically advancing traditional sectors is difficult and expensive, as many of these sectors operate in mature markets with decreasing returns. The gap between high-tech production capacity and weak demand from households whose income comes from traditional activities increases the United States' reliance on global markets that have a stronger ability to absorb U.S. exports.

Moreover, advanced technology sectors benefit from economies of scale: the larger the market, the lower the unit costs and the higher the margins. The development cost of a new 3-nanometer chip exceeds $1 billion, but the marginal production costs fall dramatically with volumes. Without global markets, innovation in these sectors becomes economically less sustainable. Microsoft, Apple, and Alphabet generate around half of their revenues outside the United States. From this perspective, it is easier to understand why the U.S. administration is putting heavy pressure on European authorities to give U.S. tech giants free rein in their markets.

[5] https://www.marsh.com/content/dam/marsh/Documents/PDF/US-en/Arctic%20Shipping%20Lanes-08-2014.pdf
[6] https://www.ft.com/content/9c8212b8-568f-4ea2-829a-9b7a13b93f1d

From cooperation to zero-sum competition

For decades, Sino-American economic relations were effectively cooperative. China exported goods and capital—at its peak, purchasing more than $1 trillion in U.S. Treasury securities—while America provided technology and markets. This arrangement made both countries' imbalances sustainable.

Today, however, the dominant narrative presents competition as zero-sum, with China as the potential winner, and the United States determined not to be the victim. U.S. tariffs on Chinese imports rose from an average of 3% in 2017 to over 47%[7] by the end of 2025. China responded with export controls on rare earth minerals, technological restrictions, and its own tariffs. Military and geopolitical posturing increasingly overshadow the economic rationale that once sustained cooperation.

Against this backdrop, characterized by the demise of multilateral institutions, geopolitical analysts revive the notion of "spheres of influence." Yet spheres of influence cannot make the Chinese or the American economy self-sufficient. They could, at best, represent a temporary phase if paired with internal economic rebalancing: China should increase private consumption, currently stuck at 38% of GDP (versus 55%-60% in developed economies), while the United States should increase private savings. Both objectives would be achievable through comprehensive welfare reforms.

As controversial as it may sound, a European-style welfare model—universal healthcare, robust pensions, and extended social protections—could serve both needs. In China, it would reduce precautionary household savings (which accumulate for health care, education, and old age), stimulating consumption. In the United States, where out-of-pocket health care spending and pension insecurity depress savings, more robust welfare would increase domestic capital accumulation.

While politically unlikely, the European approach illustrates that strong welfare states promote internal stability, reduce inequality, and limit incentives to wage war. A strong welfare state may reduce economic dynamism (average EU growth was 1.5% annually versus 2.3% in the United States between 2010 and 2023). However, it also fosters societies that are more concerned with internal cohesion than with seizing other countries' wealth. Over the long term, such stability could support the international cooperation needed for global economic sustainability.

Conclusion

The thesis of regional spheres of influence fundamentally underestimates the nature of the American and Chinese economies. Both require global markets: China to export its surplus production and capital; the United States to import standardized goods and financing, while concentrating resources on high-return advanced technology sectors.

The current competition, conceived as a zero-sum game, is economically irrational and potentially catastrophic. The political conditions for cooperation are not yet mature, but economic incentives

[7] https://www.piie.com/research/piie-charts/2019/us-china-trade-war-tariffs-date-chart

should push both powers toward a new cooperative equilibrium. Spheres of influence could only serve as a temporary, transitional phase if paired with internal reforms that rebalance economic models—a long and politically complex process.

20th-century economic history teaches that not even the Cold War succeeded in creating self-sufficient blocs. To think that in the 21st century, with today's more highly integrated value chains, the United States and China can prosper in regional watertight compartments is an illusion. The question is not whether they will need to cooperate, but when and under what conditions.