The New Economic Arms Race: The Competition for Global Economic Power

The world economy is entering a new era of strategic competition, with nations increasingly seeing economic strength and technological preeminence as key to national security. The real competition is between the United States and China, two of the world's biggest economies, as they compete for more control over critical minerals, advanced technologies, and global supply chains. This new arms race differs from the traditional one, which involves military build-up and weapons development. Instead, this new economic arms race centers on industrial investment, import restrictions, and competition for strategic industries. This shift reflects the growing tension between the economic efficiency that globalization traditionally has been associated with the desire for greater national self-reliance. As governments grow increasingly concerned about their reliance on foreign suppliers, economic policy is rising in instrumental importance for geopolitical influence.

One example is the United States' own effort to strengthen its domestic critical-mineral supply chains. Phoenix Tailings said on Oct. 20, 2026, that it planned to build a $375 million rare-earth processing plant in Rochester, N.Y. Rare-earth elements are critical building blocks in everything from electric vehicles and renewable energy systems to sophisticated military systems. But China still dominates the processing and refining of these materials, creating a strategic vulnerability for countries dependent on Chinese production. The proposed facility is intended to diversify U.S. access to these resources and increase domestic industrial capacity. Even though such investments may provide long-term economic resilience, they also carry substantial financial costs and considerable time to actually reduce dependence on established international supply chains.

The semiconductor industry is another example of how geopolitical competition is reshaping international business. South Korean tech giants Samsung and SK Hynix are upgrading their semiconductor production facilities in China to keep up with competitors and meet growing demand for advanced memory chips. But U.S. export restrictions on transferring certain American semiconductor manufacturing technologies and equipment to China complicate these investments. Therefore, companies operating across borders must balance commercial opportunities against competing national-security priorities. This creates a particularly difficult position for South Korean manufacturers, whose economic interests in China run alongside South Korea's strategic relationship with the United States. The situation demonstrates how multinational firms are extremely exposed to geopolitical decisions that reshape investment, production, and technological development.

China’s recent proposal to tighten its technology export restrictions further shows the growing use of economic policy as a strategic tool. On Oct. 16, 2026, Chinese authorities proposed adding 40 technologies, such as artificial intelligence, solar energy, and biomedicine, to their export control framework. Some technology transfers already have temporary registration requirements, though the proposed restrictions have not yet been finalized. These developments indicate that Washington and Beijing are seeking greater control over strategic capabilities, but their restrictions target different technologies and activities. Together, these developments highlight a broader transformation in international economic relations, wherein countries increasingly prioritize national security, technological independence, and strategic leverage along with economic goals. While these policies may strengthen national independence, they consequently also raise production costs, destabilize international markets, and complicate foreign cooperation. Ultimately, the New Economic Arms Race poses a critical question: **will our pursuit of greater economic independence strengthen national security, or will it create a fragmented, economically inefficient global system?**

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