

Asset Restrictions on Springboarding amid China–US Geoeconomic Competition

Peter Enderwick ¹ 

¹ Auckland University of Technology

Abstract

The catch-up strategy of springboarding has been widely adopted by emerging market firms seeking to internationalize. Successful springboarding requires access to sophisticated assets, often only available in more developed economies. The recent growth of geoeconomic measures, particularly between the United States and China, is impeding this process. As the two economies have moved from economic complementarity to hegemonic competition, restrictions on access to resources have increased in both number and scope. We examine the impact of growing restrictions and alternative means to access desired technologies. Market restrictions on scarce assets encourage strategies of domestically-focused and supported path-creation when building capabilities for successful internationalization.

Keywords: Springboarding, emerging market firms, geoeconomic restrictions, asset-seeking, path creation, geoeconomics, technology competition, China, United States

JEL Classification: F23, F51, F52, O33, O34

■ **Corresponding author:** Peter Enderwick, Auckland University of Technology, 55 Wellesley Street East, Auckland CBD, Auckland 1010, New Zealand.
Email: peter.enderwick@aut.ac.nz

Published: 4 June 2026

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1. Introduction

Central to the development of emerging market firms (EMFs) has been the concept of catch-up, and in a dynamic context, through a strategy of springboarding (Luo and Tung 2007, 2018). Springboarding assumes that interactions with firms from more developed economies enable emerging market firms to acquire the sophisticated assets necessary for accelerated development, for overcoming home country market and institutional weaknesses (Deng 2009), and for underpinning international market success. The initial stage of the springboarding process assumes the entry into emerging markets of developed economy multinational enterprises, primarily through subcontracting or inward foreign direct investment, drawing on sophisticated assets. Subsequent stages presume continuing access by EMFs to valued resources, enabling the development of capabilities, in the form of firm-specific advantages, supporting successful internationalization. Springboarding is based on the premise of unfettered markets and the ability to repatriate and absorb sophisticated assets.

Such modelling requires open markets, minimal restrictions on foreign direct investment, and opportunities for EMF upgrading through learning. While advancement in this way was widely adopted in the period from 1990, a time of liberal, open and largely uncontested globalization (Buckley et. al. 2007; Kotabe and Kothari 2016; Madhok and Keyhani 2012), springboarding has become increasingly difficult since around 2012. The last decade has witnessed global decoupling (Witt et al. 2021 2023), increasing restrictions on economic competition as a result of geoeconomic nationalistic and insular policies (Rodrik 2018), declining compliance with international guidelines and institutions, the rejection of rules-based governance (Jannace and Tiffany 2019) and increasing limits on market access and technology exchange (Zhang 2023). For example, tariffs on trade between China and the United States have been increased on seven occasions since 2017, while global trade interventions in 2024 were twelve times higher than in 2010 (MGI 2024).

Market Openness, Integration and Springboarding

The necessary conditions summarized above highlight how upgrading through a strategy of springboarding by EMFs is likely to be affected by the nascent era of geoeconomic competition. The geoeconomics perspective emphasises the application of economic instruments for geopolitical ends (Scholvin and Wigell 2018). Where military confrontation is limited by its inherent dangers, economic policies may be used to achieve geopolitical ambitions.

Contemporary multipolar and multi-conceptual views of global affairs increasingly question the benefits of economic interdependence and global cooperation (Gilpin and Gilpin 2001; Paul 2022), promoting decoupling or deglobalization (Witt et al. 2021). The rise of major regional powers – China, India, Russia – has increased cognizance of alternative economic systems, policy approaches, and engagement with

international institutions. The economic success of these powers, particularly China, has highlighted weaknesses in market capitalism. Growing income inequality and an apparent inability to tackle global challenges, including poverty, decent work, environmental degradation and robust partnerships, have created interest in alternative economic systems (Mounk 2021; Sachs 2015).

Weakening of once dominant market-based and democratic economic and political systems has enabled the adoption of geoeconomic policies in response to increased economic competition, the growing criticality of key technologies, and a belief that opaque EMFs benefit from excessive and unjustified state support (Bremmer 2010; McNally 2012). These fears have brought significant changes in the management of international relations, particularly in the case of the United States. There is a growing transactional focus on inter-state relations, an evaluation of policies and institutions on the basis of their costs and benefits, and the substitution of hard power (sanctions, tariffs, the loss of financial and security support) for soft power and the mutually beneficial resolution of complex issues.

The impact of these new realities in the global environment has reduced the development and upgrading opportunities available to EMFs, particularly those from strong competitor economies, or within commercially- and security-sensitive sectors. Changes in the degree of market openness, international investment exchanges, and the ability to undertake overseas asset acquisition are limiting traditional growth paths, with particularly strong impacts on China and its high-tech firms (Witt 2022).

Growing Scope of Geoeconomic Measures

Recent years have seen an increase in the size and range of restrictive geoeconomic policies. From an initial focus on trade, geoeconomic restrictions have been extended to both inward and outward foreign direct investment (Meunier and Danzmann 2024; Zhan and Meloni 2024), market entry (Huawei in several markets), access to critical technologies (Ryan and Burman 2024), and the blacklisting of individual firms (Luo and Witt 2022). These developments represent a major challenge to cross-border learning, particularly within contemporary global value chains that combine trade, investment, partnerships, market access, and technological learning.

This paper examines the likely impact of growing geoeconomic restrictions on the ability of EMFs, particularly Chinese EMFs, to achieve competitive upgrading through a strategy of springboarding. Where restrictions make development in this way difficult, EMFs may place greater reliance on domestic resources and state support to achieve upgrading. Because the majority of geoeconomic restrictions involve China and the United States, we highlight this relationship. As the two economies have moved from economic complementarity to competition, restrictions have increased in both number and scope.

The primary aim of the paper is to illustrate how growing restrictions on asset procurement encourage the adoption of alternative approaches to upgrading. We set out the context for this and springboarding, providing a foundation for the analysis of alternative strategic choices (section 7). Understanding these approaches is critical at a time when conventional strategies for economic upgrading are increasingly inaccessible.

To achieve this, the following section discusses the determinants of geoeconomic power of a nation. We then introduce the concept of springboarding, utilizing the three-fold typology of path-following, path-compressing and path-creating strategies (Enderwick and Buckley 2021). This is followed by an examination of the impact of geoeconomics on market openness and the decline in neo-liberalisation, the growing economic weight of non-market economies, and the increased adoption of discriminatory measures. The fifth section discusses the growing scope of geoeconomic policies and their expansion from trade measures to encompass foreign investment, technology exchange, and industry and regulatory standards. Section six examines the implications of geoeconomic measures for asset-seeking by EMFs, highlighting the growing resort to path-creating strategies and adaptation of asset-seeking approaches. The “weaponization of technology” has increased the attractiveness of alternative asset-seeking strategies, which are examined in section seven. We also consider the argument that China is an exception, the only emerging economy fulfilling the necessary conditions for successful path-creation. The final section offers concluding comments.

2. The Determinants of Geoeconomic Power

Geoeconomic policies are the result of geopolitical goals, international economic influence, and national strategy. They are an acknowledgement of Luttwak’s (1990) observation that the rebuilding of the world economy after 1945 favoured geoeconomic and geopolitical power, rather than military power. The relevance of geoeconomic power has increased as a result of growing trade and finance links, the rise of alternative economic systems, particularly state capitalism, and China’s mounting challenge to US global leadership. Closer economic relations increase the opportunities for, and the likely effectiveness of, geoeconomic policies.

State capitalism offers new sources of economic power, for example, through state-owned enterprises and firm expansion supported by the state. China’s leading firms have developed rapidly benefitting from Chinese infrastructure and influence along the Belt and Road Initiative (BRI) (Enderwick 2018). The application of geoeconomic policies across a wide range of global economic connections provides leverage over required, but limited, economic resources. For example, Russia’s exclusion from the US dollar-dominated global financial system following its recent invasion of Ukraine is a powerful sanction in the absence of alternative arrangements. Where sanctioned countries enjoy alternatives, such as third-country markets or the

use of shadow trading schemes, the costs are still high. The geoeconomic power that a country possesses because of asset or institutional exclusivity encourages other countries to pursue alternatives, such as China's digital yuan plan to challenge the dollar-based global financial system.

Critical in determining the degree of geoeconomic power is the extent to which a government can influence the strategies of its own and foreign-owned firms, or allied nations, to adopt state goals, often to the detriment of corporate interests (Clayton et al. 2023). Incentives can be offered to encourage compliance. Within the global ICT infrastructure industry, restrictions on Huawei benefit competitors such as Cisco (US), Ericsson (Sweden) and Fujitsu (Japan), all based in nations imposing a total or partial ban on Huawei products. Similarly, China's Belt and Road, focusing on expansion through Eurasia to Europe, as well as swathes of Africa and South America, provides new risk-assured markets to many of China's leading businesses.

The ability of a state to impose its demands depends on a number of considerations. One is the type of political and economic system. In established democracies subject to the rule of law, transparency and leadership accountability, the power of governments to impose their goals is limited. However, where accountability is limited and the political system is underpinned by patronage arrangements, politicians enjoy more discretion. China's concern with the growing domestic influence of its big three digital platforms, Baidu, Alibaba and Tencent (BAT), saw the introduction of severe sanctions. Where a country is governed through an "elite bargain" (World Bank 2017) involving powerful business interests, elevated levels of firm compliance will be observed. In contrast, within an established democracy, robust institutions limit the power of governments to coerce firm behaviour, outlawing corruption and favouritism (Clayton et al. 2023).

Coercion is enabled by state ownership of business. In state capitalist systems, enterprise ownership facilitates corporate direction through state planning and the imposition of aspirational targets. This is a central element of development within China as SOEs are enabled to access valuable resources or build alliances with similar states, reducing market risks, particularly in capital-intensive large-scale projects that create challenges in contract enforcement and the commitment credibility of partner firms. These risks are reduced when the investing country can exercise geoeconomic power over others.

The ability to apply power and influence internationally also influences the power of geoeconomic measures. Countries that build alliances through participation in trade, technology transfer, aid and military support arrangements enjoy greater power, all other things equal. This is apparent with the US strategy of limiting China's access to advanced semiconductor components, the encouragement of other countries to support sanctions on individual businesses (Huawei) and in China's procurement of political support in international institutions.

3. The Concept of Springboarding

The concept of springboarding was developed to explain how laggard firms, primarily those from emerging markets, could reach levels of technological capability comparable to those from more advanced economies (Luo and Tung 2007, 2018). Catch-up enables redressing of domestic market and institutional weaknesses, upgrading of firm-specific competitive advantages, and offsetting the “liability of outsidership” (Johanson and Vahlne 2009), which results from limited international experience (Cui et al. 2014; Ramamurti 2004; Tsai and Eisengerich 2010).

Catch-up through springboarding follows a strategy of aggressive international ventures to access sophisticated resources absent in the home market. The capacity to internationalize assumes that contact with more advanced firms through inward FDI or involvement in global value chains provides a foundation for building firm-specific advantages compensating for late entry. In a number of emerging economies, the development of these capabilities has been supported by high rates of domestic market growth, attraction of inward FDI, and extensive government support. In the case of China, aggregate data support this perception of growing domestic capability. China’s share of global gross manufacturing production is now three times that of the United States, and it has become a major source of intermediate products rather than simply an importer. China has rapidly shifted its manufacturing composition to capture significant shares of sophisticated manufactures (Baldwin 2024).

In the initial stages of upgrading EMFs focus on process production through exploitative learning. Rapid learning (Williamson 2016), growing scale, and cost efficiencies provide simple sources of advantage, reflected in growing domestic market shares. In later stages, upgrading relies on more substantial innovations (exploratory learning), facilitated by the absence of legacy technologies, opportunities that result from rapid technological obsolescence, and minimal barriers to entry for emerging technologies. Firm-level upgrading is also supported by a range of government interventions facilitating market access, limiting competition, both domestic and international, granting privileged access to key resources, and guidance for upgrading where national development plans signal priorities.

A More Granular View of Springboarding

In more restrictive global conditions, analysis of upgrading and springboarding requires refinement. Enderwick and Buckley (2021) present a threefold typology classifying EMFs as path-following, path-compressing, and path-creating. The first two types follow a traditional springboarding approach, heavily dependent on access to sophisticated resources, the key difference being the greater speed and intensity of path-compressing catch-up. Path-creating firms also pursue upgrading but seek superiority rather than parity with competitors through reliance on home, as opposed to overseas markets and resources.

A path-creating strategy is challenging. It requires an elevated level of absorptive capacity (e.g. highly skilled employees) and the ability to combine technical, commercial, and political skills in new business models. Learning is also complex, involving both trial and error (of process stages), repetition (creating reproductive capabilities and overcoming local knowledge gaps), as well as building novel innovative resources (creating embryonic sophisticated assets) (Rui et al. 2016).

When sophisticated resources are not readily available, upgrading may be achieved through micro-incrementalism (Yang et al. 2016): the refinement of existing technologies to better match market needs. Often, it is through novel recombination that value is created (Li et al. 2022).

The pace of path-creating evolution, and eventual internationalization, depends on home market conditions: size, growth, stability, resource endowments and international connections. Appealing domestic market conditions speed up the process, although the in-house development of sophisticated resources sourced from the home market is likely to take more time than international asset acquisition (Enderwick and Buckley 2021). However, it would be naïve to assume that EMFs follow a single growth path. For example, early engagement in path-compressing growth (highly intensive springboarding to assemble necessary resources) is likely to benefit a later adoption of a path-creation strategy.

Path-creating EMFs unite ordinary resources to create advantages in cost, reliability and a comprehensive understanding of the needs of emerging market consumers. When combined with a large home market size, high growth rates, tolerance of dominant market positions, restrictions on the entry of overseas competitors, and state provision of resources, sufficient advantages for future internationalization may be achieved (Burton 2015; Luo and Child 2015). For example, the number of STEM graduates in China is four times that of the United States (Oliss et al. 2023).

In summary, we argue that EMF upgrading does not always require asset-seeking entry into international markets. In this way, path-creating EMFs are similar to developed market MNEs that build strong home-based advantages to support internationalization (Dunning 1973).

4. Geoeconomics and Market Restrictions

The primary effect of the rise of geoeconomic competition on springboarding is to restrict access to international resources fundamental to the upgrading process. Springboarding depends on access to, learning from, and repatriating new knowledge.

Successful springboarding is predicated on a neo-liberal view of open markets. However, the rise of increasingly competitive non-market economies has questioned the value of such a universal perspective. Neo-liberalism values a rules-based system, where participants accept and adhere to binding rules designed to achieve transactional

efficiency. In contrast, state capitalist economies advocate the primacy of state sovereignty and the rejection of supranational organizations and their universal and conforming rules (Chan 2015). The restrictive conditions state-capitalist economies face limit the effectiveness of traditional springboard models (Luo and Witt 2022).

In countering the neo-liberal approach emerging markets have expanded state involvement (state-owned enterprises, provision of subsidies, information, risk underwriting and tolerance of market dominance), addressed concerns of competitive distortions through the creation of new or parallel institutions (New Development Bank, Asia Infrastructure Investment Bank, Shanghai Cooperation Organization), and targeted international expansion within previously marginalised regions (China's Belt and Road Initiative), as well as alternative forms of aid and assistance (Alami and Dixon 2020).

China's experience demonstrates that a purely market-based economy is not essential for rapid and sustained economic growth. China has been able to combine aspects of a market economy with modifications to earlier varieties of state capitalism to create "state-capitalism with Chinese characteristics". The key elements of this are its incorporation of aspects of neo-liberal capitalism (hybrid state-owned enterprises, growing legitimacy of private firms, use of market incentives and sanctions), and deep integration within the global economic system. China does not compete simply on the basis of its differing ideology; it is also driven by economic ambition.

Economic Competition and Co-Dependency

The result is that market and state-capitalist economies not only compete but are also co-dependent. It is this co-dependency that creates opportunities for the exercise of geoeconomic policies. Economic competition between interdependent national economies generates the economic resources that enable a geoeconomic strategy. The disposition of such resources is central to interstate relations and to trade and investment flows that determine regional economic and political influence. China's displacement of Japan as the leading economic force within Asia is an example.

The exposure of an economy to geoeconomic action depends on a wide range of economic and political characteristics (Bluth 2021). The key is the extent to which an economy is open and dependent on trade, investment and other cross-border economic flows. The more open an economy, for example, its ratio of trade to GDP, the more exposed it is. Also important are its international economic activities in terms of overseas market reliance or the concentration of production. Elevated levels of dependence on a small number of markets for technologies, investment, or trade increases vulnerability. A country's economic settings in terms of openness also matter. Highly open and liberal economies with limited restrictions on sources or types of international exchanges have fewer policy options in response to punitive actions. Size

also matters. Global powers are well placed to take direct action against one another, while small economies are less likely to be targeted.

Any economy may find itself impacted indirectly by geoeconomic strategies. Involvement in a global value chain means that suppliers of intermediate products or services may be negatively impacted in the event of a dispute between leading powers. Differences between the economic system of a country and its major trading partners raise risk as incompatible policies have to be managed. Major initiatives by one country may trigger retaliatory policies by another.

It is also likely that where state-capitalism encourages the internationalization of state-owned or - influenced firms, particularly within authoritarian states, concerns over transparency mean the likelihood of geoeconomic measures will be higher (Karolyi and Liao 2017). There are grounds for believing that autocratic or authoritarian governments may be better placed to deploy geoeconomic tools (Clegg et al. 2018). Because such regimes secure political tenure, they may display greater policy consistency, while lower levels of scrutiny enable them to exert stronger influence over domestic firms (Cuervo-Cazurra and Li 2021).

The initial trigger for geoeconomic action, particularly by the United States, was the use by competitors of policies that, from a liberal economic perspective, were seen as discriminatory or unfair, justifying retaliatory actions. One considerable concern was the insistence on technology transfer as a condition for market entry (Sykes 2021). While this may be an early stage in the springboarding process, where EMFs gain access to technologies at below production cost, they enjoy a “subsidy” while imposing a “tax” on the originator.

The forced technology transfer problem is highly susceptible to geoeconomic actions as a result of two characteristics. The first is the paucity of information revealed by international investors on the pressures they face. This results from a fear of reprisal in the host market and a calculus that market access may outweigh the costs of technology loss. The lack of a precise understanding of the problem encourages general and vague responses by source country governments. Second, any unilateral action by one nation to discourage forced technology transfer could put that country’s enterprises at a competitive disadvantage relative to alternative potential technology suppliers. Effective responses require joint or multilateral action that may be difficult to establish (Branstetter 2018).

Other competitor countries’ policies also encourage geoeconomic actions. The requirement that foreign investors must enter a joint venture relationship with a prominent local firm is designed to compress initial springboarding stages. A number of foreign investors see such policies as distortionary, negating free markets that offer investors a choice between exclusive or shared ownership of facilities.

5. The Growing Scope of Geoeconomic Policies

Traditionally, geoeconomic policies have focused on the terms of trade or investment restrictions in so-called “strategic sectors”. However, the growing competitive challenge of China has seen a rapid broadening of both the scope and severity of such policies. It would be naïve to think that the current economic conflicts are simply localised frictions. Rather, they form part of a larger battle between the leading powers (the United States and China) for global hegemony (Doshi 2021). Unlike recent great power struggles, for example, between the United States and the Soviet Union, where the two sides were largely economically independent, the current conflict involves nations with overlapping interests and significant economic, political and military interaction, greatly complicating the context of economic tensions. From this perspective, any growth of geoeconomic competition appears rational: an ideological, political, or military struggle would be significantly more costly.

Contests between great powers are underpinned by technological prowess. China’s rise has been accompanied by its desire to equal or exceed others in many emergent technologies, placing considerable emphasis on leading-edge technologies and the development of new sectors. This is apparent from both state planning initiatives, such as Made in China 2025, setting out ten critical technologies that China seeks to dominate, and the numerous asset-seeking investments that Chinese enterprises have made historically (Deng 2009). Where catch-up or new innovation is achieved through observable market processes (investments in education, national innovation systems, and firm-level research and development), the competitive process is welfare-enhancing. However, if the perception is that it is achieved through distortionary state subsidisation and protection of national firms, forced transfer of technology, or a lack of intellectual property protection, strategic penalties are likely.

This is exactly what has happened as the US-China trade war has spilled over into technology and international investment. The United States has imposed increasing restrictions on the ability of several economies, particularly China, to license technology, to enrol graduate students in leading technology programmes, and to import critical technological components. These measures include the 2018 Export Control Reform Act that restricts the export of emerging and particularly dual-use (military and civilian) technologies, further reviews of the Committee on Foreign Investment in the United States (CFIUS) legislation, restrictions on individual businesses such as Huawei, TikTok and WeChat, as well as visa controls on employees of Chinese tech companies. Predictably, China responded with a series of similar restrictions. These include a 2020 Export Control Law, limiting China’s exports of leading technologies; the creation of an Unreliable Entity List that targets and sanctions individual firms, including bans on doing business in China; and, most recently, the 2021 Anti-Foreign Sanctions Law.

Home Market Support

Emerging markets have introduced policies to assist the development of their firms through domestic market protection and barriers to competitors, lowering the threshold level necessary for success in international markets and creating new facets for geoeconomic measures. For example, technological advantages accrue to countries able to influence international standard-setting (Seaman 2020). China's leading position in a range of technologies, including high-speed rail, electric vehicle batteries, and 5G telecommunications, has given it the power to strongly influence, and even determine, international technology standards.

If such standards emerge from robust market processes, they are more likely to gain international acceptance. However, where they are the result of extensive government subsidisation, access to publicly funded R&D at below commercial rates, or from scale effects offered by large and high-growth markets from which foreign competitors are excluded, they will be contested. Accepted standards impose costs on competitors forced to catch up, to serve smaller, fragmented markets, and to overcome technological lock-in or inoperability created by first movers (US-China Business Council 2020). China's Cybersecurity Law, Data Security Law and Personal Information and Protection Law ensure the state has access to large data sets enabling dual application: internally to support social control and security; internationally to influence global value chains (Enderwick 2025). Again, such policies are likely to trigger geoeconomic reactions.

Similar internationalization advantages arise when the risks of foreign market entry are reduced by publicly funded investments. China's Belt and Road initiative aids the internationalization of its firms as previously underserved host economies become increasingly dependent on Chinese technology, suppliers, and standards. Companies such as BeiDou (global navigation) have prioritised growth within BRI member states in recent years (Ryan et al. 2019). The BeiDou navigation system is now compatible with almost 300 million smartphones, operates in over 120 countries, and processes more than a trillion location checks daily. Its development has benefitted from state support – recognition of its value as a dual-technology, mandating BeiDou applications within the domestic Chinese market, gaining acceptance as a global standard, integration into public sector apps, and state support of satellite launches. While BeiDou initially sourced its chips from US-based Qualcomm, updated chips are now available from Chinese producers. Its geographical expansion has prioritised the BRI countries, particularly Africa, where it operates in more than thirty states (Pollpeter 2024).

Table 1 highlights the range of restrictive geoeconomic policies that have been introduced or expanded in recent years and the restrictive policies that limit springboarding by EMFs. It is clear that policy implementation has moved well beyond its foundation in trade frictions and now inhibits firm choices more broadly.

TABLE 1. Geoeconomic Restrictions on Emerging Market Upgrading

Area of Restrictions	Types of Restrictions	Examples
Trade and trade agreements	Tariffs, quotas. Local content requirements of trade agreements.	US tariffs on Chinese solar panels, electric vehicles. USMCA restrictions on trading with non-market economies.
Regulatory and policy restrictions within trade blocs	Labour rates. Migratory controls. Environmental targets.	Restrictions on use of Chinese labour in Australian mining. Requirements on anticorruption measures. Minimum consumer safety levels.
Export controls	Restrictions on product exports.	US export controls on AI, quantum computing, and semiconductors. Chinese restrictions on sale of rare earth materials.
FDI restrictions	Restrictions on foreign entry into sensitive, critical and dual-use sectors. Controls on both inward and outward FDI.	US controls on foreign ownership of infrastructure. EU restrictions on acquisition of high-tech firms. Expansion of scope and powers of CFIUS.
Conflict and sanctions	Asset seizure or freezing. Trade bans.	Russia's exclusion from the global financial system. Bans on Russian oil exports. Russian seizure of US business assets.
National regulations Standard setting.	Regulations on IP protection, data laws.	China Data Security Law. EU General Data Protection.
Domestic industry support	Subsidies, grants and competition protection.	US support for semiconductors, solar panels. Made in India Made in China 2025.
Restricted firm lists	Exclusion and isolation of firms seen as a security risk.	US Entity List. China's Negative Entity List.
Collaborative influence	Pressure on aligned economies to adopt similar policies.	US decoupling and Chinese digital separation. US policy pressure on UK, Canada and Germany particularly with access to chips. Generalisation of restrictions on firms such as Huawei. China's expansion along the BRI.

Source: Author's synthesis.

This growth in policy scope reflects a changing perspective on such measures in altering global competition. Initially, concerns with the policies of particular emerging markets focused on trade and efficiency issues and were designed primarily to correct trade distortions (unfair competition from SOEs, subsidization, persistent trade surpluses, and protection of infant industries). Such cases could be effectively addressed through the use of trade-based policies.

The changing perspective, particularly within the United States, sees global competition shifting from a win-win situation (liberal globalization) to a lose-lose situation, stressing domestic concerns and technology access (decoupling) (Ryan and Burman 2024). At the same time, China's successive Five-Year Plans have emphasised national security rather than simply the economic importance of technology and the need for self-sufficiency, broadening international concern (Ryan et al. 2021).

The table also highlights the growing links between trade imbalances, global market shares and technological competition. The application of the broad concept of "national security" has enabled a widening scope of policies, their justification, and focus. While export or foreign investment restrictions apply to a large population of producers, entity lists target specific named firms and individuals. The US operates a dozen entity lists identifying suspect companies, individuals and financial assets, with targeted entities required to gain additional approvals to undertake business in the United States (Bureau of Industry and Security 2024). China operates a similar process; its Unreliable Entity List highlights firms involved in trade with Taiwan (Open Sanctions 2024).

A further development is the extension of restrictive measures beyond the country of initiation. The US has pressured allies to restrict foreign investor access to high-technology assets and to support the exclusion of particular firms, such as Huawei, for security reasons. Measures are both general and specific, reflecting a range of concerns. For example, India has introduced restrictive measures on investment from economies sharing a land border with it, coupled with duties on Chinese solar panels, bans on several Chinese apps to restrict data access, while supporting indigenous firms (Chacko 2020). Collaboration on the imposition of economic restrictions on warring countries is also increasingly pursued. For example, Russia faces more than 28,000 sanctions as a result of its invasion of Ukraine (Sanctions Tracker live 2025).

While, for the sake of typological clarity, we have separated various policy approaches, they are increasingly used in combination and for distinct purposes. Trade restrictions are often combined with differing standards and regulations, while controls on access to sensitive technologies are combined with approval requirements for inward FDI and the operation of entity lists. In 2025, the US administration imposed tariffs on goods from Canada and Mexico, not simply to correct a trade imbalance, but to force the two neighbouring countries to reinforce their border protection in the light of continuing illegal migration and importation of illicit drugs into the US.

While the application of a suite of policies is increasingly apparent, a recent further extension has been the geographical broadening of restrictions within targeted industries, including sanctions, in an attempt to “choke” competitor access to multiple stages of the value chain (Allen 2022; Fishman 2025). In the case of semiconductors, where the US dominates the top end of technological complexity, the US government has introduced restrictions in four critical stages of chip production: access to advanced chips, chip design software, semiconductor manufacturing equipment, and components. These policy measures were prompted by the possible dual application (military and commercial) of such technologies (Allen 2022). Recent revelations by the Chinese AI start-up Deepseek suggest that a major competitive challenge may exist, based on technologies that are cheaper, utilize less powerful chips, but offer comparable performance, despite limits on external component availability.

Faced with restricted choices, EMFs alter their strategies. The damage to Huawei was at the upstream stages of its value chain, with restricted access to chips and revocation of its Android licence. The company shifted its focus from asset-seeking to market-seeking, concentrating on the alluring markets of the Belt and Road initiative and the continuing rollout of 5G in China. Similar responses are evident within other targeted Chinese firms, including surveillance equipment producer Hikvision, which initially built up its inventory holdings of chips, subsequently increasing its research budget. Drone manufacturer DJI reduced its international coverage (Ryan et al. 2021).

A growing concern for international asset seeking is the apparent shift from *ex ante* restrictions to *ex post* dismantling of acquisitions, which has been termed clawback (Gujon and Bouchaud 2025). Governments concerned that foreign acquisitions create undue target country dependence on the acquiring country, or present a threat to national security, may attempt to reverse completed deals. This has happened across a number of sectors (biotech, chip manufacture, port infrastructure, agricultural processing and IT) (Gujon and Bouchaud 2025). For example, Chinese-owned Volvo faces the dilemma that US requirements to eliminate Chinese IT providers across their value chains mean massive restructuring if they wish to continue serving the US market, which accounts for 16 percent of sales. The relaxation of such requirements through special authorization licenses gives US officials considerable power to restructure the operations of non-US MNEs.

At the country level, geoeconomic restrictions may have an unintended impact on technological development, encouraging governments to support technological upgrading by channelling state resources towards “national champions” (Yap 2019). For example, China has committed a further US\$2 trillion to maintain the momentum of the Made in China 2025 strategy introduced a decade earlier. In addition, domestic technological alliances have been encouraged, for example, in the development of high-end chips. For the Chinese state, research groups shift the focus from market to technological domination, at a time when domestic measures to constrain the power of the large tech companies have been necessary (Ryan et al. 2021).

The evidence on whether restrictive policies will bring widespread decoupling, forcing EMFs to choose specific or enduring alignment, is disputed. There is agreement that the costs of decoupling would be significant, affecting both developed and developing economies (Spektor 2025). Decoupling is also selective: focusing at the present time on technological separation and the “weaponization of interdependencies” (Farrell and Newman 2019). At various times, great powers have embraced both globalization (when they are clearly dominant) and decoupling (when they are challenged) (Zhang 2023).

Pressures to reshore investments (van der Veen 2020), to move to more regional as opposed to global value chains (Enderwick and Buckley 2020), and even the possibility of global fracture as the two major economies seek to decouple, would adversely impact efficiency. The investment costs of decoupling would be considerable. Assuming half of the US stock of FDI in China was sold, US investors would lose around US\$25 billion a year in capital gains, and one-off GDP losses of up to US\$500 billion. The reduction of Chinese FDI to the United States would be an additional cost and would also likely benefit US competitors (US Chamber of Commerce 2021).

The evidence on decoupling is mixed (Ando et al. 2024; Hayat 2019). At the industry level, there is some evidence that computer and electronics businesses may be leaving China to the benefit of Vietnam and Taiwan, as well as the growth of transport equipment production in Mexico at the expense of China (Alfaro and Chor 2023; van der Veen 2020).

However, at the level of the individual firm, there is little evidence of comprehensive decoupling. While Foxconn has opened new plants in Vietnam on behalf of Apple and is now producing Air Pods and some iPad and MacBook products there, between 2017 and 2020 Apple added more mainland Chinese suppliers to its supply chain than any other location, with nearly 80 percent of Apple’s leading 200 suppliers having at least one production facility in China in 2020 (Qu and Chen 2021).

6. Implications for Asset-Seeking

As competitive upgrading through path-following and path-compression becomes increasingly difficult, firms are forced to adapt their imitative strategies (Luo and Witt 2022; Zamborsky et al. 2023). The growth of geoeconomic policies increases the attraction of a strategy of domestic path-creation where upgrading emphasizes home market resources and opportunities.

While path-creation may be an attractive option for firms based in large and rapidly growing economies, many developing economies do not possess these conditions. This raises the question of whether an economy such as China is an exception and whether upgrading opportunities will be constrained in other economies.

China's Exceptionalism in Upgrading

China's economic reawakening from the 1970s was based on the expectation that it would evolve into a market-based democracy. However, its rapid development has seen the US perception shift from a partnership to rivalry as China has greatly increased its economic importance (Jacques 2012). China's success is the result of several distinctive features and their integration.

Early trade success provided the funds to develop a strong domestic base, particularly within manufacturing. In 2023, China's value-added industrial output was 38 percent of total production, twice that of the United States, while exports were 35 percent of GDP in 2020, making it the world's leading exporter, and the top trading partner for more than half of the world's economies. In combination, these conditions have encouraged China to pursue a "dual circulation strategy", building stronger domestic value chains, reducing China's external dependence, while increasing its attraction to overseas firms. This could lead to transformative global recoupling, rather than simply decoupling (Enderwick 2025).

Directing economic development through a series of economic plans and novel state-business engagement has enabled path-creation in a number of sectors within China. Where this has been supported by huge injections of state funds into education, R&D, innovative learning and risk reduction across the previously neglected BRI economies, the conditions for rapid domestic upgrading and eventual global competitiveness exist (Ryan et al. 2019). Path-creation is the preferred upgrading strategy for companies such as iFlytek (AI), Megvii (image recognition) and SenseTime (AI software) since their dual-use technologies mean their technology access in overseas markets is limited. They enjoy the benefits of state support because of their role in China's primary goal of catching up in AI.

China's rapid technological catch-up is underpinned by a range of specific characteristics including strong sectoral leadership and the signalling of technological priorities, the desire for technological self-reliance, a massive market enabling rapid technology adoption and firm scaling, policy initiatives such as data compliance rules that give the state early access to novel technologies, talent programs and long-term development plans including the BRI to secure access to critical resources and establish infrastructure in previously neglected environments.

It will be difficult for other emerging economies to emulate this success and China's apparent exceptionalism. For example, India, recently removed from unrestricted access to critical US technologies, pursues a technology development model very different from China, with emphasis on private sector development of IT, R&D and design through contracting to overseas corporations. India's technological achievements are much narrower and fail to create the sectoral integration that underpins much of China's success (Bhaumik et al. 2009). This highlights the question of whether other emerging economies can emulate China's strategy. In combination,

the growing strength and scope of restrictions on traditional routes to asset acquisition mean that new paths, outlined in the following section, will be explored.

7. Alternative Asset Seeking Strategies

There are a number of ways, summarized in Table 2, that enable access to sophisticated assets despite widespread restrictive measures.

TABLE 2. Alternative Asset Seeking Strategies

Strategy Type	Strategy Implementation
Strategic and technological alignment	Close strategic alignment with a leading economy possessing desired technologies.
Coalition building	Creation of economic groups willing to share desired technologies.
Connector countries	Tapping into ideologically neutral powers with capabilities in the desired technologies.
Non-traditional commercial entities	Developing relations with entities such as digital platforms or blockchains that may possess the desired technologies.
Evasion of technology restrictions	Ways to bypass technology restrictions by exploiting technological asymmetries.
Rogue state provision	Rogue states such as Russia or Iran may possess desired technologies but acquisition likely to be restricted by sanctions and exclusion from multilateral institutions such as SWIFT.

Source: Author's synthesis.

Alignment

One strategy is clear and committed alignment with leading powers, either the United States or China. This is the strategy pursued by countries such as Japan, Taiwan and Australia with regard to the United States. In the same way, China is now the leading trade partner and primary source of investment for many countries. A strategy of alignment carries dangers, particularly economic and military dependence, inflexibility in the event of global decoupling, and path dependency created by the adoption of specific regulations and standards. Embracing one side would create prohibitive costs in the event of defection.

Aligning with a more technologically advanced Great Power enables accelerated access to and absorption of new technologies, contributing to economic growth, links to global research and security networks, while increasing access to a large market.

The costs of alignment are also clear: technological and market dependence; technological lock-in; and the loss of strategic autonomy. An alignment policy is particularly attractive when technological needs coincide with the need for military support. There is a risk that large-scale alignment could lead to technological decoupling and a divisive economic system.

Coalition Building

A second and less extreme variant of this would be coalition-building between like-minded states. Such coalitions could be useful in providing a counterbalance to growing protectionism, in diversifying trade and investment relations where there is overdependence, and safeguarding the certainty of commitment to economic rulemaking. Mega-trade blocs and institutional alternatives within developing economies, such as BRICS, have substantially increased their global economic influence, but in most cases are closely tied to China. Particular opportunities exist within larger economic grouping such as the EU, that struggle to maintain a united front with regard to the control of technology. A number of European nations (Hungary, Poland and Portugal) are also part of the BRI. Coalitions offer benefits in pooling resources, combining complementary capabilities, lowering development costs, enhancing knowledge transfer and increasing interoperability. At the same time, technological acquisition faces additional costs of complexity and cross-country coordination, the danger of knowledge leakage, overcoming divergent laws and policies on intellectual property and trade secrets, and competing political interests. Coalitions may seek the sharing of technology as a means of projecting economic strength and vitality.

Connector Countries

A third strategic response could be a focus on ideologically neutral countries that offer connector capabilities, tapping into the strengths of both Great Powers and their allies. Regional powers such as India, Brazil or Türkiye are ambivalent in their economic and political commitment. Brazil, for example, is heavily dependent on the United States for FDI, but its major trading partner is China (Enderwick 2024). Such countries are likely to possess intermediate rather than leading-edge technologies, but could be valuable in the initial stages of catch-up.

The size and regional influence of these economies enable them to connect with a number of leading economies and technology sources, providing a potential source for asset acquisition (Baracuhy 2014). Their geopolitical independence or tolerance enables them to develop wide-reaching connections. The potential services they offer to asset-seeking EMFs may be indirect (technologies sourced through third parties) or direct (suppliers). Connector countries benefit from their independence when

perceived as attractive hosts for FDI, as well as the potential opportunities they enjoy for enabling international exchange despite restrictions.

A connector strategy could enable faster technological accumulation through national intermediaries and may facilitate the development of new trade patterns as a result of technology exchange. Connector countries may take on this role where it increases their geopolitical influence through bridging openings between major economic blocs. There are, however, dangers with reliance on connector countries, particularly the emergence of potential failure nodes within global value chains, vulnerability to global economic and political shifts, and accommodating regulatory fragmentation.

Maintaining neutrality is difficult where decoupling deepens. Non-aligned states that lack the foundation provided by participation in encompassing trade agreements must navigate varied regulatory and technical standards and may forego opportunities for trade specialisation. In a dynamic conception, connector countries must balance the dangers of too close alignment with one bloc, triggering unfavourable responses from the other side, or preserving economic distance with the resultant danger of remoteness and declining advantage.

Non-traditional Sources

A fourth strategy is to seek assets through alternative commercial vehicles – foreign investment funds (FIFs), financial technology companies, digital platforms, and blockchain trading networks. These may offer access to desired international assets but suffer from being both indirect (any potential sale incurs brokerage fees) and a blunt instrument, particularly for highly sophisticated and organizationally embedded assets.

Targeting financial providers can facilitate access to funding, particularly for novel technologies. They may also offer highly personalised solutions, facilitating the precise targeting of assets, based on established protocols. However, funding from this source may incur high costs, put proprietary technology at risk, and threaten ownership rights.

Evasion of Restrictions

A fifth strategy is attempting to evade geoeconomic restrictions. A number of companies, particularly Chinese firms, have endeavoured to circumvent technology controls. A popular method is to subscribe to cloud computing services offered by US providers such as Amazon. Leading cloud service providers have access to the most advanced Nvidia chips, which cannot be supplied directly to China.

A second method is the stockpiling of advanced chips, often obtained through third parties, particularly Middle Eastern countries. The restrictions also encourage investment and upgrading of local technological capabilities, as China has been doing for a number of years. Indirect access provides China with the use benefits of high-speed chips, but not the underlying technologies (Reuters 2024).

Rogue States

A sixth option would be asset-seeking within developed, but rogue states such as Russia. While Russia possesses significant technological capability, access is limited under conditions of strict sanctions. While Russia relies on others, particularly China, for components, these are sourced within an “axis of evasion” (Donovan 2024). Russia’s cooperation is primarily with those under its sphere of influence, such as Belarus, and other members of the Eurasian Economic Union. Russia’s membership in the BRICS group facilitates exchange with several important markets (e.g. Brazil).

Client states may be supported through technology transfer. For example, China and Russia provide advanced technology to Iran and Iraq, enabling sanctioned states such as Russia to gain hard currency. A current concern is rogue state access to ubiquitous technologies such as AI. The isolation of rogue states favours the pursuit of dual technologies, suggesting they may be involved in two-way trade in technology.

At the present time, any upgrading strategy based on acquiring external assets faces increasing cost and uncertainty. Hegemonic competition and geoeconomic reasoning mean governments will strive to achieve a balance between the desire for openness to the world economy and security in protecting national economic interests. This will necessitate a more contextually based assessment of security and geoeconomic challenges as liberal policies are reviewed. Any balance is also likely to be short-lived as global dynamics accelerate in an era of contested hegemony. Asset seeking, particularly through long-term collaboration, will be extremely difficult under such conditions.

Firms attempting to upgrade will also face higher costs. Geoeconomic competition will shift some of the costs of disputes away from the state and directly onto businesses. This has already occurred with the blacklisting of foreign business entities. In recognition of this, governments will attempt to broaden commercial involvement in foreign policy making, moving beyond traditional state departments to include businesses and trade and investment agencies. The inclusion of specialist information is not only useful, but businesses are likely to take the lead in reducing country risks through strengthening value chains (reshoring, inventory holding) or reducing locational dependence (diversifying trade and investment links).

Governments can assist upgrading processes with industry diversification, the forging of new alliances, and the successful conclusion of additional trade and investment agreements. Either way, closer and more effective coordination between a broader group of stakeholders is likely.

International businesses will also experience higher transaction and maintenance costs as they exploit global business opportunities. Such costs will arise from several sources. First, there is the questioning of the current rules-based system of international commerce and the allocation of maintenance costs that this requires. Key resources that must be maintained include the hard assets of globalisation – shipping lanes, digital access, financial systems (SWIFT) and the various agencies that provide regulation and

support, particularly the WTO and the United Nations. Equally important is the role of soft power – aid, peacekeeping, and political mediation.

Goeconomics has brought an enhanced transactional nature to political relations. This is evident in deals to seek valuable minerals in exchange for security provision, to breach territorial integrities, and in pressurizing other nations to carry a larger share of global military spending and defence capability. The US attempts to impose backshoring through massive and widespread tariffs (Dachs et al. 2019) may also be interpreted as a variation of path-creating development.

8. Conclusions

We have examined the catch-up strategy of springboarding in an age of goeconomic competition. While many countries benefited from two decades of open, liberal and rules-based global competition, this era has given way to a more contentious and challenging operating environment. These tensions, initially evident in trade relations, now form part of the United States response to China's hegemonic challenge (Goodman et al. 2019).

While several recent studies have examined the likely impact of goeconomic measures on the ease of springboarding (Luo and Witt 2022; Zámorský et al. 2024), these focus on incremental adaptations that EMFs will have to consider, including addressing multiple institutional environments, adopting arms-length relationships with partner firms, and developing strategies to connect with non-aligned economies. These studies pay little attention to path-creation strategies as an alternative to cross-border springboarding, concluding that China is perhaps the only emerging economy where such a strategy is feasible. While it is recognised that EMFs will have to evolve from dependence on externally sourced resources to strengthening their capabilities domestically, the two development paths may be seen as complementary rather than as substitutes within springboarding. The Chinese experience in particular suggests that under appropriate conditions, internal path-creation may be an effective means of upgrading. The primary contribution of this paper has been in examining the alternative strategies available to firms seeking catch-up in an era of growing restrictions.

The implications of growing goeconomic competition are profound for developing states as they struggle to create a development path balance between the efficiency benefits of engagement with the global system and upgrading based on scarce national resources.

China illustrates these tensions. After a decade of unfettered growth, China's tech companies achieved size and power that challenged state control. While domestic market domination facilitates path-creation, economic power must also correspond with state goals and aspirations as a result of dependence on state resources.

Upgrading will require careful selection between a strategy of external springboarding and one of domestic path-creation. This choice will vary according to whether firms are based in highly targeted countries (e.g. China), the levels of sophisticated resources they can access, as well as the degree of global decoupling. Decisions are particularly complex where the world appears to be evolving to what has been described as “asymmetric bipolarity” (Goh 2009) with China’s expansionist efforts overlaid on the existing global institutional infrastructure, while close economic ties between the two Great Powers persist.

Interestingly, our discussion offers little support for part of the conceptualisation of geoeconomics, particularly, the value of inter-state coalitions in strengthening geoeconomic influence. While China is actively seeking to increase its sphere of international influence, primarily through its Belt and Road initiative, the same cannot be said for the United States, which appears determined to fracture such coalitions. Deteriorating relations with Canada and Mexico, despite a trade agreement, and pressure on Europe to divert resources to defence spending, are inconsistent with theorising on the determinants of geoeconomic policies based on strength in numbers (Clayton et al. 2023). The contraction of coalitions increases the risks of global decoupling (Witt et al. 2023). This is an area worthy of greater attention (Kirchner 2021), particularly from a business perspective.

Our discussion also illustrates the value of increased spillover of disparate disciplines’ work in this area. While the hyper-globalisation era of 1990 to 2010 facilitated a separation of economic and political concerns and the seeming unimportance of military power, such an interpretation of the global economy is no longer fitting. Research on the growth of geoeconomic measures is both recent and limited, offering only tentative steps in areas such as economic diplomacy, non-market strategy, and political risk as the key touchpoints. This work falls short of what is required to effectively incorporate geoeconomic considerations into business decision-making.

Work on economic diplomacy has traditionally adopted a state-centric focus emphasising political agendas (Lee and Hudson 2004). Refining this in an era of global value chains will require considerable effort (Warin and Assche 2019). Similarly, the field of non-market strategy examining firm engagement with non-market stakeholders through lobbying and connections with non-government organisations fails to contextualise strategy within the changing global order (Baron 1995). Similar comments apply to the field of political risk analysis, which remains country-centric and firm-focused, while assuming mitigating actions are the responsibility of the individual investor. Considerable research questions persist in this area of economic and technological development.

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