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A Geoeconomics Perspective of the China-Pakistan Economic Corridor: An Analysis of Belt and Road Conflict

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Abstract
This study clarifies that a conflict resolution process that prioritizes larger attraction and all lawful rights is necessary given the interlocking geopolitical, security, and economic interests supporting the Belt and Road Initiative. Applying the China-Pakistan Economic Corridor (CPEC) as an analysis determines the circumstances under which Chinese investors may have started speculation adjudication but chose not to. The failure of the investment covenant's human rights orientation to take a variety of project enterprise interests into account explains this. Investor protection instead comes from alternative home country intervention strategies like publicly sponsored political menace insurance. Put another way, political economics related to CPEC speculations rejects the use of strict legal frameworks. In this situation, mediation might be a good substitute. These conditions hasten the delegalization tendency, often attributed to factors other than public safety but frequently mentioned as an unavoidable by product of the advance geopolitical objectives.

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I. Introduction

Historically, states have used global governance to demonstrate their influence and power. According to institutionalists, the post-World War II framework is still strong today. The liberal triplet of democracy, human rights, and rule of law is crucial in international institutions. Intergovernmental organizational manifestations remain prominent in the face of geopolitical upheavals, especially regarding financial activities. From this perspective, public international law has developed to the extent that it can identify the very hierarchical constitutional rules that restrict state power. Conversely, realists believe that the liberal international order is in disarray. The UK has left the European Union; Russia has invaded Ukraine and annexed Crimea; trade arbitrations in Doha have come to a standstill; and the humanitarian disaster in Yemen and Syria has rendered the United Nations Security Council helpless. The role of developing nations in the modern world is growing; however, opinions on how disruptive they will be vary. Their great power prevents them from advancing in their well-established policy domains.

In the previous ten years, the multinational treaties have served as the foundation for world economic administration, and nothing has changed regarding the conventional norm-setters as well as rule-makers. The most similar item to this is intergovernmental investment law. Exporters of capital must obtain guarantees from host nations that they would not treat their investors unfairly, discriminate against them, or confiscate their assets without compensation following the signing of the foremost bilateral investment treaty (BIT) in 1959. Because investor country adjudication allows transnational corporations to sue their infringing home states within an intercontinental court (Vandevelde, 1998), it effectively spreads a moderate economic system across national borders. When handling issues about transnational investments, the adjudicative branch took over from the executive branch during the era of 1960 and early 2010.

The geoeconomics theory predicts that this tendency will change (Csurgai, 2018). The traditional description of it is the securement of an economic program and the planned system's economization (Roberts, Moraes & Ferguson 2019). Many academics think that the US-China competition is the primary cause of the confusion between security and economic issues that has significant implications for the effectiveness of the worldwide economic system (Vidigal, 2020). Put another way, the conflict resolution procedures and substantive norms that have garnered widespread, if not unanimous, acceptance are no longer practical. Political and economic concerns always affect how the law is applied and influence how laws are drafted.

Aside from the Sino-American connection, this viewpoint mostly minimizes the importance of other countries. This article examines CPEC from a geoeconomic standpoint to see how the new agreement will affect other nations. Its main argument is that a dispute resolution procedure that prioritizes legal rights is necessary to balance the security, geopolitical, and economic interests supporting the CPEC. It creates three connected assertions. First, analyzing the key components of the new geoeconomic order, exclusively from the security perspective, is overly restricted. Socioeconomic problems are not usually the same as national security, and they can be a great source of inspiration regardless of how they relate to security. Second, focusing solely on how other nations have responded to the US-China competition is deficient.

This strategy ignores the agency of the country and the particular circumstances that shape their affiliations with the superpowers, which do not influence strategic conflict at all.
Finally, the re-politicizing of investment issues is a noticeable consequence of these modifications. Although investor countries' arbitrations offer a formal avenue for appeal, decisions involving significant infrastructure contracts or debt owed by sovereign nations are hardly the subject of these cases. Rather, interest-based processes like political menace insurance apply to them. There are four sections to this argument. Section I presents the concept of geoeconomic rule and critiques it for seeming devoid of other nations' agency. Section II examines the non-safety drivers related to economic connection and China-Pakistan objectives for Belt and Road Initiative beetles, highlighting the agencies of governments. Section III makes the case—using the elimination of adjudicative forums from resolving investment quarrels as an example—that these circumstances have led to the re-politicizing of investment conflicts in Pakistan. Section IV concludes, therefore, with a query about the possible longevity of investment requirements, an analysis of the non-adjudicating strategies Chinese parties employ to shape the behavior of the host nation, and a suggestion for mediation as a methodical substitute.

II. A Sino-American Centrism and Emerging Geoeconomic Order

Scholars have long understood the complex relationship between national authority, economic power, and worldwide economic administration. Throughout history, states have employed economic tactics for geopolitical objectives. The European mercantilism of the fourteenth century and the economic war of the two World wars are examples (Mclaughlin, 2024). Still, the terminology "geoeconomics" is relatively new. The earliest studies conducted by the American military by Edward and Pascal, form the foundation of geoeconomics as science. The global economic seminars asked the World Agenda Committee on Geoeconomics to guide the interplay between state authority and economic safety in the twenty-first century. The council's report, Geoeconomics, is accompanied by Chinese attributes.

Roberts, Ferguson, and Moraes claim that a geoeconomic shift signifies a move in how legal trade and speculation regimes balance the economy and safety. It has a few notable characteristics that our framework could consider. First, the focus shifts from absolute benefits to relative benefits. Governments are more inclined to weaponize collaboration for geopolitical domination in the context of the geoeconomic shift than to implement policies meant to harness economic collaboration for mutual gains. The other fascinating characteristic of the geoeconomic paradigm which arises from the strategic and economic competition between the US and China is the blurring of the boundaries between national security and economic ethnocentrism.18 The competition for scientific innovations and commercial supremacy gives rise to the idea of mixed economic safety.
The Chinese approach to world economic administration is based on two core tenets: first, it encourages domestic technology and imports technology from other nations via trade or other means. Conversely, the United States is more inclined to focus its industrial plans on critical strategic domains like artificial intelligence, erect commercial and investment barriers for Chinese companies, and adopt a protectionist attitude to homegrown innovation (Lincicome & Manak, 2021). Finally, and perhaps most importantly, the influence of these new innovations

will extend to the international economic order. These will include forging new, rival spheres of impact, dividing the United States and China on matters of economic safety, increasing the difficulty of reaching a consensus on international legislation, and directing trade and investment disputes into the political sphere instead of the legal one (Schill & Briese 2009). In adopting the twin track policy, the US and China enlarge their areas of influence by assuming new global legal responsibilities while dodging current ones, such as handling security-related issues raised by independent evaluations.

III. The Geopolitical, Security and Socioeconomic Driving Factors Affecting the China-Pakistan Economic Corridor: An Examination of the Third State Agency in Geoeconomic Analysis

The China-Pakistan Economic Corridor is the main initiative of the Belt and Road Initiative. Chinese Prime Minister Li Keqiang offered in 2013 that the Kashgar city in China be connected to the port of Gwadar on the southwest coast of Pakistan. The initial fiscal commitments for the China-Pakistan Economic Corridor totaled 46 billion US dollars. After its official announcement in 2015, the CPEC included 51 Memorandums of Understanding (MOUs) covering a wide range of projects, including feasibility studies for Gwadar Hospital, the establishment of a biotech lab, and concessional debts for modernized motorways. Several related initiatives have started since then. Gwadar port is among the most notable and contentious on the Arabian Sea. Phase III development is underway, and it involves port enlargement, nautical dredging, and so many other expensive construction treaties, including building the International Airport of Gwadar. March 2020 will see the partial reconstruction of Highways like Karakorum, which connects China and Pakistan (Malik, 2012). Moreover, the construction of coal power plants in Baluchistan, Sindh, and Punjab provinces is estimated to cost 5.8 billion US dollars. CPEC projects cost 62 billion US dollars in total in 2017.

Energy investments were associated with a significant growth in the infrastructure of Pakistani energy with accuracy, even though the growth of GDP was not as strong as anticipated (Bartlett, 2002). But CPEC has been fine; there have been project cancellations and delays, large loan resubmissions have sparked contentious renegotiations and India has expressed its disapproval loudly (Hussain, 2017). Pakistan and China are not passive applicants but magnanimous benefactors in building the economic relations that result from CPEC. In lieu, China and Pakistan reinforce each other's needs and skills to cooperate toward mutually agreed-upon goals. These are the things that make these two countries apart. This is a transactional connection. The two neoliberal philosophies are similar in that CPEC aimed to use interconnectedness for joint benefit. This is undoubtedly one of the few cases in which the state operates economic affairs in line with a geoeconomic framework. The most important thing is that both countries have their own agency. The three factors influencing this affair are security, geopolitics, and economy. This section broadly defines security including military operations, the conditions surrounding an armed assault, and civilian turmoil.

IV. The Dispute about CPEC Investment Have Been Re-Politicized

One of the main reasons for designing the International Centre for the Settlement of Investment Conflicts (ICSID) was the shift of investment conflicts from a political to an adjudicative domain. As the UN Charter forbids the use of power unless necessary for self-defense, the

ICSID treaty was developed as a countermeasure to the power politics used by colonial countries to safeguard their economic goals (Vandevelde, 2005). This progress was meant to protect the beneficiary host country from army seizure and relieve the home country of the pressure from the public to operate political shelters (Maurer, 2013). It should be noted that the depoliticizing results of investor-country arbitration are a tentative theory. World Bank General Counsel describes it as an effort to prevent the prospect of a conflict between the host state and the national country of the capitalists.

Depoliticizing and balancing the benefits and needs of all parties concerned are critical objectives of the ICSID Secretary General's approach to resolving investment conflicts. On the one hand, some argue that the goal of depoliticizing disputes under the ICSID treaty has been accomplished (Kriebaum, 2019). This argument is supported by analysis showing that host country involvement in investor-country arbitrations is minimal and that diplomatic safety in investor-country disputes has altered from regular to irregular (Paparinskis, 2010). However, some agree with Lauterpacht's assertion that all international legal conflicts are political. Paparinskis proposed that depoliticization is not very useful in clarifying current issues in financial adjudication. This viewpoint maintains that while depoliticization was crucial in rationalizing the peaceful resolution of conflicts in the 1960s, it is essentially empty today. Gradients of opinion are, therefore, the result of divergent interpretations of generally acknowledged facts and perspectives about the concept of depoliticization itself. According to a third viewpoint, lofty assertions of a distinct legal and political domain have always been unable to include the fundamentally political character of investment responsibilities and adjudication circumspection.

In the worst-case scenario, it deceives decision-makers by ingraining "assumptions about secret systemic teleology. Evaluation criteria may comprise the degree to which investment conflicts are settled by higher law as opposed to lowly politics, the lack of military involvement in these instances, or any mix of these elements (Schneiderman, 2010). Depoliticization is defined in this article as the process of eliminating the home country from investor-country arbitration by transferring decision-making power from a governmental agency to an arbitration body. Effectively codifying this change is Article twenty-seven of the ICSID treaty, which states that a home country cannot provide diplomatic safety for a conflict between one of its citizens and another country that has agreed to adjudication. Experts in geoeconomics refer to it as a trend to distinctly legalized conflict resolution. Nevertheless, in spite of their size and variety, investors carrying out CPEC contracts have not used the conventional adversarial strategy. Stakeholders in the CPEC have not seized the opportunity to initiate adversarial proceedings, even though investment covenants entail substantial requirements for safeguarding investments and are enforceable as conflict resolution methods. These sections examine the various conflict resolution mechanisms available to the investors of China as well as the power outcomes for investment disputes. In this approach, the appropriateness of the conflict resolution mechanism that seeks to determine unambiguous law is directly impacted by the geoeconomic characteristics of the CPEC speculations.

V. Strong Frameworks for International Conflict Settlement for Chinese Investments in Pakistan

China and Pakistan have established two global investment contracts: in 1989, the China-Pakistan BIT, and in 2006, the Free Trade Agreement (FTA) between Pakistan and China investment section. An agreement made in 2006 was modified in 2006. They both promote the use of global intervention to impose them and provide legal safety to Chinese stakeholders in Pakistan (Malik, 2017). It is clear that the covenants were not made with CPEC in mind since they were completed prior to the project's inception. However, Chinese lenders could still find them tempting since they are still in effect. We shall evaluate each agreement's arbitration access in the next sections. Both BIT (1989) and FTA (2006) provide for restricted acquisition to investor country arbitration; however, the 1989 covenants restrict its application far more.

First, this restriction restricts entry to Chinese stakeholders in different ways. First, the only thing the provision may impact is the amount of appropriate compensation. There is a glaring absence of responsibilities to allow fiscal transfers and equal treatment. On the other hand, country-to-country dispute resolution provisions limit the scope of their applicability to issues that change the execution of the contract. Second, investors have to wait a full year after giving a notice related to grievances before taking legal or arbitration action. Discussion, conciliation, or recommendations are no longer required. Thirdly, the provision gives the lender the right to ask an international court to review the compensation package. This clause is known as the crossroad because it allows the capitalist to continue one course of action yet not both (Lee & Phua, 2019). Despite the strict language, some arbitral courts have interpreted clauses restricting entry to adjudication, including a broad review of the compensation amount. In Peru v. Tza case law, the court held that the conflict resolution provision's crossroad nature limited an investor's options, as it allowed them to take the matter to either a local court or an international arbitration.

Therefore, unless the home country acknowledged an expropriation, global arbitration would be barred if stakeholders had first to take the matter to a local court in order to get a decision that an appropriation had happened. The Tribunal determined that, in accordance with the concept of efficacious interpretation, the BIT allowed for the evaluation of the presence of expropriation as well as the quantum of damages. It would be against the intent and objectives of the 1989 Bilateral Investment Treaty to apply a restrictive interpretation that removes the evaluation of whether expropriation has occurred. Chinese lenders in Pakistan might be able to approach arbitration more easily under this interpretation. The panel reached the same conclusion in the Yemen v. BUCG case. Use care while applying the logic from Tza and BUCG to this BIT due to the linguistic peculiarities. The China-Pakistan 1989 BIT refers only to the amount of remuneration, contrary to the China-Peru 1994 BIT and the 1998 China-Yemen 1998 BIT, which both contain the words "including the amount of damages or related to the compensation amount. The costly interpretation of the tribunal in the preceding cases concentrated on the meaning of involved and related.

Nevertheless, there is the issue of the crossroad. Investors may submit petitions to arbitration or the courts over compensation levels, yet not all. A court may find that this is adequate when determining whether or not there has been an expropriation and how much compensation is due. However, by no means is this expanded understanding accepted. The court reached a different conclusion in the China v. Mongolia case. A conflict regarding the amount of damages

for confiscation was specified in the relevant clause. This was seen to mean a certain kind of damage. This was justified by the fact that the term regarding the amount of damages was meant to limit the arbitral court's authority. Ultimately, the contention that the stockholders would lack legal redress in the event that the court acquires a restricted approach was dismissed (Meyer, 2017).

Negotiation would remain an option when an official declaration of takeover occurred. The panel found that the phrase involving had no bearing on the Tribunal's power; it was neutral. It's unclear, however, whether investors in China would need proof that Pakistan had participated in the confiscation. The body of the case law is not coherent. However, the 2006 FTA version retains in 2019 contract dispute resolution rules, which provide a more transparent route to international court. According to Article 54, any matter related to law that is not resolved via negotiation may be brought before ICSID or before the national court within 6 months of the day it was started. Due to its extended scope, arbitration is now more accessible for various possible disputes affecting the treaty's investment commitments. It does not contradict the uncertainty that was there in the BIT 1989. In any case, access is still limited. The investor must have completed all administrative evaluation processes in the home state, and there must be a 6 month cooling down period after the dispute notice. The investors of China might thus easily accuse a party of breaching investment duties and start an arbitration process.

VI. CPEC Gaps and Investment Statements

The investors of China have not filed an investor country arbitration dispute for the CPEC plan despite the potential for investment and disruption. Results of 2015 research by the China Institute of Corporate Legal Affairs (CICLA) indicate that this is not because Chinese businesses doing business in developing nations are reluctant to use the legal system. Some of these disagreements concerned fines imposed on investors in China. 50% of the participants said they have participated in civil litigation. As a result of certain CPEC plan mishaps and failures, an investment accretion might emerge now or in the future. This discussion will concentrate on the particular investment responsibilities mentioned in the investment covenants that Pakistan and China have signed. Some of these duties include expropriation, just and equal treatment, and complete safety.

VII. Full Protection and Security Duties: Terrorist Attacks on Chinese Workers in Pakistan

Both the FTA 2006 China-Pakistan and BIT 1989 China-Pakistan provide physical security for investors, stating that they shall have protection on the state of the opposite contractual party. However, as stated in 2006, FTA investors shall have freedom of ongoing protection in the state of the opposite Party. This means that host countries must ensure the physical security of investors based on arbitrary jurisprudence. States need to take proper precautions and make the necessary efforts; they are not obligated to provide complete protection. Terrorists have often attacked Chinese people working on the CPEC program in Pakistan. The upshot of the Baloch insurgency, overseas jihadism, and internal terrorism is an unstable security environment. As Small notes, Pakistan has evolved from being China's entry point into the Gulf to being known as the most dangerous state for Chinese nationals living abroad, with a startlingly high rate of

kidnappings and killings (Small, 2015).

The Baluchistan Liberation Army (BLA) and the Baluchistan Liberation Front (BLF) are two separatist organizations opposed to CPEC. Numerous assaults on Chinese people are believed to have originated from them. Two such instances are the well-known assault on the embassy of China in Karachi in 2018 and the 2017 abduction and murder of two Chinese language instructors in Quetta. The assaults are ongoing as of August 2022. The Confucius Institute's director was among the 3 Chinese individuals who perished in an explosion that occurred at Karachi University in 2022. Again, the attack was attributed to the Baloch Liberation Army (Basit, 2018). The former director of the CPEC program organized a force of 10 thousand safety guards to ensure the project's successful achievement, but even if this could be achieved, it is not clear that it would meet the care standard required in expenditure arbitration.

In 2021, an assault in Khyber-Paktunkhwa, a province in western China, murdered nine nationals of China who were aboard a bus carrying construction employees and engineers from China. This also applies to Pakistan's responsibilities under its sovereign liabilities to China. Imran Khan said, citing the pro-China stance of Chinese independent power producers (IPPs), that he will renegotiate these deals upon taking government in 2018. Unfortunately, there was not enough discussion with Chinese partners before making this decision. Notwithstanding this, the Imran Khan Government got Chinese lenders to reduce their interest rates (Mclaughlin, 2024). But when the suppliers' payments for March 2022 failed to show up, the operators had to shut down, alleging revenue stream problems. This meant that fuel imports were unnecessary. For commerce to continue, money was required. Chinese businesses have been quite dissatisfied for a very long time. According to a former state minister, the Chinese see it as a commercial arrangement based on discussions with Chinese partners. Following Imran Khan's removal from office via a vote of no confidence, Prime Minister Shehbaz Sharif's new administration made a fresh pledge to discuss power-related projects with Chinese suppliers. Other unfulfilled promises included giving up a pledged escrow account to facilitate payments to Chinese suppliers. As the agreements were legally binding, none of the IPPs needed to pay attention to the Pakistani government. There have been reports that the IMF pressured Pakistan to either reduce markup on debts owed to Chinese authorities lenders from 4 percent to 2 percent or expand the bank debt duration from 10 to 20 years.

Moreover, the investment for CPEC contracts is often opaque, raising serious concerns about Pakistan's obligations as a sovereign debtor. The report IMF published in 2022 claims that Pakistan is indebted thirty billion US dollars to China, accounting for one-third of its whole debt. The IMF clarifies to China that unexpected liabilities resulting from CPEC investments create a threat to loan sustainability. In light of the anticipated political and economic instability, authorities ask their typical bilateral parties for further financial assistance. China hopes that Pakistan will provide solid protection for the security of Chinese citizens and institutions in Pakistan as well as the lawful rights and interests of Chinese businesses, reads a transcript of a meeting between President Xi Jinping and Prime Minister Shehbaz Sharif in September 2022. In addition, by the end of September 2022, the US encouraged China to start loan renegotiations in reaction to the terrible floods that cost at least hundreds of people. To put it simply, everything hinges on how the Chinese and Pakistani power producers negotiate the conditions of their new contracts. According to Article 4 BIT 1989 and Article 49 of FTA 2006, a legislative action that one-sided alters legal conditions with Chinese partners may make

unpaid expropriation. Legal precedent acknowledged the expropriation of agreement rights as early as 1903. The destruction of rights gained, conveyed, and explained by a covenant is wrong and allows the victim to remedy, stated a member of the US Venezuela Claims Commission in the case of Rudloff. Several later investment courts have acknowledged that legislative acts that solely lower interest ratios are unexpected in achieving the material deprivation level needed for a violation.

However, it seems that this particular renegotiation is limited to bilateral conciliation. No overt indication of legislative or administrative action is there. Two aspects of FET could be important: first, investors are free from coercion, and second, contractual obligations might fairly represent a portion of their expectations. It is rare for judges, like those in Mondev vs. US and SDS vs. Paraguay, to conclude that breaking a contract would be a violation of FET rules. Instead, courts typically hold that exercising supremacy is a prerequisite to breaking the FET requirement. For instance, the Tribunal in Impregilo vs. Pakistan determined that the only way to prove culpability under the treaty was via the theft of public authority. The absence of duress or harassment is the second component of FET. As an assumption, in Total vs. Argentina, the Tribunal determined that the investor was coerced into accepting few favorable legal terms requiring it to surrender receivables in exchange for shares (Oxford University Press, 2012). Pakistan should exercise caution when pushing for contract renegotiation with Chinese companies, especially when the push comes from famous pressure. Why, in these situations, do Chinese partners renegotiate rather than depend on their contractual rights? Notwithstanding the possibility of investment statements about terrorist attacks, nonpayment of fees, breach of an agreement to set up a security account, and debt renegotiation, the Chinese partners have not yet filed for arbitration for the investment of CPEC. One explanation is the inability of the rights-based approach to financial arbitration to adequately represent CPEC investors' interests.

VIII. CPEC and decreasing control of standards: rights and interests

Compared to investors from North America, Europe, or China, which has recently emerged as a significant source of foreign investment, use hostile investment adjudication organizations much less often. Therefore, it is doubtful that the host governments' casual and indifferent handling of these investors is the reason for the lack of arbitral action. This is manifestly untrue in the case of CPEC. Why Chinese investors are giving up their legal rights is an issue that this raises. Why aren't more investment claims available for the Belt and Road Initiative, or more accurately, CPEC? According to supporters of the new geoeconomic studies in global economic regulations, a mix of national safety and economic agitations prompted the de-legalization process. A tendency to shift decision-making in two directions—horizontally and vertically, from global to domestic—is what characterizes de-legalization. The setting of CPEC makes this development quite evident. However, the question of whether the rivalry between US and China or national security is the primary driver is not entirely sure.

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The setting of CPEC makes this development quite evident. However, the question of whether the rivalry between the US and China or national security is the primary driver is not entirely sure. Interest-based dispute settlement aligns more with China's Belt and Road soft law framework for settling investment conflicts than rights build investment adjudication. This section addresses three points: investors in the China-Pakistan-India China-Pakistan Economic Corridor (CPEC) are selecting political threat insurance over investment safety; mediation could be a valuable tool for settling disputes resulting from the CPEC plan; and given the alignment of China and Pakistan's geopolitical, security, and economic interests, a shift from an interest formed lens to rights formed one is necessary.

X. Conclusion

This research claims that a conflict resolution procedure that prioritizes legal rights is necessary to address the conflicting economic, security, and geopolitical interests that support the CPEC. Conversely, the investment projects associated with the CPEC are negotiated broadly in diplomatic terms; they are mainly carried out by Chinese country-owned enterprises (SOEs), financed by Chinese banks, and guaranteed through a Chinese insurer. Therefore, claiming that the problems of the CPEC are solely commercial is a form of sophistry. On the other hand, investors in China must meet their profit margin criteria and provide a return ratio. The structure of financial arbitration, which concentrates on particular investment conflicts, does not accommodate these public and private components. This understates that China, Pakistan, and the firms in charge of CPEC plans are pursuing a more robust and expansive set of interests. Instead, as they provide the added security of PRI, bilateral discussions are the recommended means of resolving disputes. Some argue that investor-country mediation offers a structured substitute for bilateral discussions, especially in light of the conventional ISDS groups' increasing institutional backing. Considering this, CPEC investment conflicts further prove the tendency to de-legalization in the evolving geoeconomic landscape.

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