



KADIR HAS UNIVERSITY
SCHOOL OF GRADUATE STUDIES
PROGRAM OF INTERNATIONAL RELATIONS

**THE RISE OF CHINA: A CRITICAL ANALYSIS OF
CHINA-LED ECONOMIC GLOBALIZATION**

STEPAN VERKHOVETS

MASTER'S THESIS

ISTANBUL, JUNE, 2020

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CHINA-LED ECONOMIC GLOBALIZATION**



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MASTER'S THESIS

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TABLE OF CONTENTS

ABSTRACT	i
ÖZET	ii
ACKNOWLEDGEMENTS	iii
LIST OF FIGURES	iv
INTRODUCTION	1
The Conceptualization of the Neoliberal Order	1
Central Research Question	3
Methodology and Data Sources	5
Road Map of the Thesis	5
CHAPTER 1. THEORETICAL FRAMEWORK	7
1.1. Rising Powers in International Relations Theories	9
1.2. The World-System Theory: The Concept of the Global Division of Labor	13
1.3. World Hegemony and Neo-Gramscian Analysis	23
1.4. Concluding Remarks	31
CHAPTER 2. PERSPECTIVES ON A CHINESE COUNTER-HEGEMONIC ORDER CREATION	34
2.1. China’s Economic Success: A Small Room for Developmentalism	36
2.2. Exporting the ‘Beijing Consensus’ and the ‘China Model’?	47
2.3. Concluding Remarks	57
CHAPTER 3. THE BELT AND ROAD INITIATIVE: A NEW TYPE OF ‘INCLUSIVE GLOBALIZATION’?	60
3.1. The Consequences of Neoliberal Globalization	62
3.2. Chinese Grand Initiative: Can It Work in an Inclusive Way?	67
3.3. The Continuation of Core-Periphery Relations: Evidence from Central Asia	72
3.4. Concluding Remarks	79
CONCLUSIONS	81
Limitations and Future Research	82
REFERENCES	85
CURRICULUM VITAE	96

THE RISE OF CHINA: A CRITICAL ANALYSIS OF CHINA-LED ECONOMIC GLOBALIZATION

ABSTRACT

The rapid development of China during the last decades has created debates in International Relations (IR) on what implications this phenomenon will have for the current neoliberal order. The two mainstream IR approaches have opposing positions regarding this question. Whereas realists argue that China will inevitably challenge the constitution of the current political-economic institutions, liberals accentuate that neoliberal order is highly beneficial for China. The current study aims to analyze the rise of China from the synergy of two neo-Marxist IR approaches – the world-system and the neo-Gramscian perspectives. After the examination of the existing secondary literature on the issue and the analysis of quantitative data, this thesis focuses on the broad question: *does or to what extent China challenges existing international political-economic institutions?*

The main body of this work consists of three chapters, introduction and conclusion. Firstly, it provides the theoretical framework referring to concepts of both the world-system and the neo-Gramscian approaches. Secondly, it analyzes the political economy of China during the last decades with an emphasis on market-oriented reforms and the ability to export its development model. Thirdly, the main body focuses on the Belt and Road Initiative and its implications for two Central Asian countries – Uzbekistan and Tajikistan. This study implements qualitative methods, primarily the case study. The results of the analysis demonstrate that China and mainly the consolidating capitalist class truly benefits from the current international institutions. Thus, it is interested in maintaining the core-periphery hierarchy in the global division of labor. Moreover, the ideological challenge of Beijing to the hegemonic project of neoliberal globalization is comparatively limited.

Keywords: China, neoliberal globalization, political-economic institutions, Belt and Road Initiative, global division of labor, world-system, neo-Gramscian, hegemony, Beijing Consensus.

ÇİN'İN YÜKSELİŞİ: ÇİN ÖNCÜLÜĞÜNDEKİ EKONOMİK KÜRESELLEŞMENİN KRİTİK ANALİZİ

ÖZET

Çin'in son on yıllardaki hızlı gelişimi, Uluslararası İlişkiler'de (IR) bu olgunun mevcut neoliberal düzen için ne gibi etkileri olacağı üzerine tartışmalar yaratmıştır. İki ana akım IR yaklaşımının bu konuyla ilgili farklı görüşleri vardır. Realistler, Çin'in kaçınılmaz olarak mevcut siyasi-ekonomik kurumlara meydan okuyacağını savunurken, liberaller neoliberal düzenin Çin için son derece yararlı olduğunu vurgulamaktadır. Bu çalışma, Çin'in yükselişini iki neo-Marksist IR yaklaşımının – dünya sistemi ve neo-Gramscian perspektifleri – sinerjisi ile analiz etmeyi amaçlamaktadır. Konu ile ilgili ikincil literatürü inceleyerek ve nicel verileri analiz ederek bu tez şu soruya odaklanmaktadır: *Çin mevcut uluslararası siyasi-ekonomik kurumlara meydan okumakta mıdır veya ne ölçüde meydan okumaktadır?*

Bu çalışma üç ayrı bölümden ve ek olarak giriş ve sonuç bölümlerinden oluşmaktadır. İlk olarak, hem dünya sistemi hem de neo-Gramscian yaklaşımlarını tanıtmakta ve teorik bir çerçeve çizmektedir. İkinci olarak, Çin'in son dönem ekonomi politliğini piyasa odaklı reformlara ve kalkınma modelini dışa aktarma yeteneğine vurgu yaparak analiz etmektedir. Üçüncü olarak, Bir Kuşak, Bir Yol Girişimi'ne odaklanarak girişimin iki Orta Asya ülkesi (Özbekistan ve Tacikistan) üzerindeki etkilerini incelemektedir. Bu çalışma, özellikle vaka analizi olmak üzere nitel bir yaklaşım benimsemiştir. Değerlendirme sonuçları Çin'in ve asıl Çin içerisinde yerini sağlamlaştıran kapitalist sınıfın mevcut uluslararası kurumlardan gerçekten faydalandığını göstermektedir. Bu nedenle, Çin'in küresel iş bölümünde merkez-çevre hiyerarşisini koruması beklenmektedir. Ek olarak, Pekin'in neoliberal küreselleşmenin hegemonyasına alternatif bir ideoloji sunma olasılığının nispeten sınırlı olduğunun altı çizilmektedir.

Anahtar Sözcükler: Çin, neoliberal küreselleşme, politik-ekonomik kurumlar, Bir Kuşak, Bir Yol Girişimi, küresel iş bölümü, dünya sistemi, neo-Gramscian, hegemonya, Beijing uzlaşısı.

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LIST OF FIGURES

- Figure 3.1 The national income share of the bottom 50 percent of the population in the USA, China, and the United Kingdom during the last decades.....64
- Figure 3.2 The national income share of the top 10 percent of the population in the USA, China, and the United Kingdom during the last decades.....65



INTRODUCTION

What are the consequences of the rise of China for international political-economic institutions? How the period of neoliberal globalization has affected the development of China during the last decades? Can we export the model of China's development to other countries? Does this development model even exist? How should we evaluate the Belt and Road Initiative and its implications for participating countries? Does this initiative represent a new type of 'inclusive globalization'? This thesis speaks to the literature of International Relations (IR) and International Political Economy (IPE) with a focus on these and alike questions.

This work engages with the existing scholarship in order to elaborate on the comprehensive theoretical conceptualization of the phenomenon of rising China. Focusing on the main concepts of two influential neo-Marxist approaches, such as the world-system and the neo-Gramscian, this thesis argues against the state-centric understanding of this phenomenon from traditional IR schools. Rather, it analyses this issue as the continuation of the neoliberal globalization process, which aims to maintain the status quo in the global political economy.

As for the empirical analysis, the thesis raises different questions throughout the chapters. Consequently, in order to illustrate the main hypotheses, it implies the case study method. Thus, in the second chapter, this work analyzes the implementation of the Chinese development experience in cases of Vietnam and Laos. Moreover, the third chapter focuses on the realization of Belt and Road Initiative projects in two Central Asian countries such as Uzbekistan and Tajikistan analyzing their potential benefits, risks, and implications.

The Conceptualization of the Neoliberal Order

Before turning to the central research question of this paper, I believe it is important to conceptualize neoliberalism as the global hegemonic project. In this work, I will analyze the neoliberal concept as the international political-economic regime, which had been

established in the 1970s–1980s. Therefore, here I would like to discuss its theoretical basis, as well as the main features of this global order.

To begin with, the neoliberal international agenda is based on the theoretical assumptions of the beginning – mid-twentieth century political economists, such as Milton Friedman, Ludwig von Mises, Friedrich Hayek among others. Despite the existence of various forms of neoliberalism, the common feature of this perspective is a goal to create competitive market conditions, which are supposed to ensure the most efficient way of economic practices. Speaking of the international level, the main characterization of neoliberalism is the commitment to the “world market liberalization and the freedom of transnational capital” (Robinson & Harris, 2000, p. 43).

Nevertheless, there are different perspectives within the neoliberal perspective. Hence, there is no consensus regarding the realization of the neoliberal agenda. Particularly, it is vital in terms of this thesis to emphasize the difference between neoliberal approaches of the Chicago school and the Freiburg school or so-called ordoliberalism. According to the first one, the market is a self-sustaining and self-regulating institute, which functions the most efficiently in conditions of the *laissez-faire*, the complete non-intervention of the state into economic affairs (Mirowski et al., 2013). As for ordoliberalism (as well as the Austrian school), its main advocates notice that “the state’s role is not only to step back and let market forces act but rather, actively to go in and construct the market” (Stahl, 2018, p. 478). According to this neoliberal perspective, market actors left to themselves will tend to act in inefficient way “seeking to control markets and prices, create cartels and monopolies, extract ‘rents’, and, worst of all, ally and collude with state actors to impose forms of centralised planning” (Cerny, 2020). In other words, markets are not self-sufficient alone, and the role of the state is to create favorable conditions for the competition.

As for the characteristics of the neoliberal political-economic order, it represents a set of dominant political-economic practices, which had been gradually institutionalized on the international level since the early 1980s in conditions of the rapid internationalization of societies. These practices represent such a form of national development and the world

economy functioning where the principle of state non-intervention prevails and assumes recommendatory or in some cases even normative character. For instance, the period after the Second World War was characterized by relative political-economic power autonomy of states when they were able to control capital flows and “counter the destructive tendencies of finance capital that can very well be diverted from productive sectors when unchecked. This option does not exist today” (Karaoğuz, 2019, p. 17). On the international level, the neoliberal order supposes trade liberalization, the shift of the monetary system to floating currencies, the acceleration of capital mobility, the development of transnational supply chains, the expansion of transnational enterprises among other features. Consequently, this order is expressed in restrictions on protectionist policies that states are able to implement. As for the actors that had been carried such changes in the international political-economic structure, scholars refer to the ‘global managerial class’ (Cox, 1987, p. 361), which includes transnational enterprises, banks, think tanks, universities, political parties, media companies, the Bretton Woods international organizations among others (Gill, 2008, p. 194).

It was essential to underline these notes before turning to the central research question of this paper. Thereby, such a conceptualization of the neoliberal international order provides the framework for the analysis of the evolution of the Chinese political economy. Particularly, the successful development of China has been generated within such an order. Furthermore, as it will be elaborated throughout the thesis, despite some notable similarities with the East Asian developmental state model, the experience of China corresponds to the understanding of the Freiburg school neoliberalism, or ordoliberalism, where the role of the state is to create the most favorable conditions for competition between market elements. Accordingly, a possible challenge China may present to the neoliberal order and its foundational institutions should be analyzed within such a framework.

Central Research Question

This work aims to analyze the nature of rising China and the consequences of this phenomenon for the international neoliberal order. My broad central research question is, *does or to what extent China challenges existing international political-economic*

institutions? Hence, the first chapter provides the theoretical framework for this analysis based on the concepts of two neo-Marxist approaches – the world-system and the neo-Gramscian. The two following chapters focus on the broad issue and aim to demonstrate the main argument of the thesis. Accordingly, the second chapter seeks an answer to the question, *is China able to present an ideological challenge to the neoliberal institutions?* Then, the third chapter analyzing the implementation of Belt and Road Initiative projects in participating countries aims to answer, *does China offer an ‘inclusive’ way of globalization to other developing countries?*

These questions are truly relevant since in the current conditions when the United States does not seem anymore the main champion of globalization, China more actively poses itself as the main advocate of a more open global economy (De Graaff et al., 2020, p. 192). Regardless, the broad issue of rising China is either not well developed in IR literature through neo-Marxist approaches or comes to incorrect results (Arrighi, 2007; 2010; Strange, 2011; Li, 2016a; Li, 2019) claiming of a challenge China poses to the US-based neoliberal order and creates an alternative to the neoliberal globalization. Thus, the phenomenon of rising China should be better analyzed through these IR perspectives. Remarkably, nowadays rising powers “in contrast to previous generations of ‘contender’ states, have sacrificed their autonomy for wealth and influence” (Stephen, 2014, p. 914) and have become dependent on existing institutional structures. Although the understanding of the liberal IR school shares a similar argument where greater involvement in the current international order is in rising powers’ interests (Ikenberry, 2012, p. 61), the approach applied in this work does not rule out the conflictual characteristic of the current international system. In addition, it emphasizes that greater involvement in neoliberal order is primarily in interests of the Chinese growing and consolidating class, “nascent bourgeoisie, mostly emerging from the Chinese Communist Party itself” (Hameiri & Jones, 2015, p. 82), rather than China as a unitary actor. Overall, based on the concepts of both the world-system and the neo-Gramscian perspectives, the idea of this thesis is to underline the dynamics of the Chinese political economy towards the status quo in global institutions. Consequently, the capitalist class in China does not oppose, but favors the global neoliberal institutions and does not propose an alternative set of practices to developing countries. Furthermore, it seeks to place China to a higher

position in the world-system, which intends the exploitative type of relations with developing countries.

Methodology and Data Sources

This thesis applies the qualitative research method in order to highlight the social constructive nature of the Chinese political economy. Indeed, the qualitative methodology focuses on the socially constructed nature of reality (Denzin & Lincoln, 2008, p. 14). Besides, in this work and, especially in the second chapter, I often refer to the power of ideas in IPE that explains why qualitative methodology might be useful, since what social scientists confront is “not a first but a second order reality” (Gill, 2008, p. 15). Additionally, this thesis refers to the case study method in order to illustrate its main arguments. Thereby, the analysis of the development of Vietnam and Laos in the second chapter, as well as the cases of Belt and Road Initiative projects in Uzbekistan and Tajikistan in the third chapter are not ‘hard’ cases, but aim to illustrate this thesis’ claims. As for data sources, this work refers to the secondary literature for the deeper engagement with the existing scholarship and continues the debate over the issue. Moreover, this paper uses the quantitative data from different sources such as the World Bank Open Data, United Nations Development Program materials, and also data from national bodies of some countries, primarily China, Vietnam, Laos, Uzbekistan, and Tajikistan.

Road Map of the Thesis

This dissertation is structured as three chapters, introduction and conclusion. The introduction briefly outlines the main characteristics of this research and makes the ground for the next chapter, which entirely focuses on the theoretical framework of this thesis. Respectively, the first chapter focuses on the debate over the phenomenon of rising powers and its implications for the current world order from different IR schools. Following this, it discusses the theoretical roots of the world-system and the neo-Gramscian approaches and their main concepts.

The second chapter aims to trace the period of Chinese development from the beginning of the market-oriented reforms. Later on, it poses the issue of possible export of the Chinese development model abroad to other developing countries. The third chapter

focuses entirely on the debate over the Chinese Belt and Road Initiative and the ability of China to realize this strategy in an inclusive way. Finally, the conclusion of this thesis sums up the main arguments of the previous chapters, formulates the limitations of this work, and offers the future research agenda.



CHAPTER 1. THEORETICAL FRAMEWORK

This chapter focuses on the analysis of two influential neo-Marxist perspectives towards the International Relations (IR) field such as the world-system and the neo-Gramscian. The goal is to find a comprehensive approach for the analysis of rising powers in today's highly globalized world. The issue is nowadays the foreign policy of a country is highly dependent on the requirements of regional governments and domestic firms (Jones & Zeng, 2019). This decentralization of foreign policy in the era of globalization demands a closer focus on social relations between different groups without using only state-centric approaches (De Graaff, 2019). In this chapter, I argue that the synthesis of the world-system and the neo-Gramscian approaches provides a comprehensive analysis of emerging powers' attitude towards the existing international political-economic institutions. Particularly, China represents the most interesting case for analysis among rising powers due to its huge population and its status of the second-largest economy in the world.

In the first section of this chapter, I justify the choice of two neo-Marxist approaches towards an analysis of emerging powers. Firstly, it is essential to discuss how other theories of IR look at the phenomenon of rising powers. As a result, I argue that different IR perspectives such as realism, liberalism, constructivism, and neo-Marxism have various assumptions on how rising powers relate to the existing international order. Some of them observe an inevitable clash between rising and dominant power, which is the guarantor of the existing world order, whereas others argue that these relations have complementary character. Secondly, I highlight the advantages of the neo-Marxist perspective on this issue. Thereby, among the main schools of IR, the neo-Marxism is the most sensitive towards social changes caused by globalization. Finally, I will explain how the two neo-Marxist approaches such as the world-system and the neo-Gramscian complement each other and might be useful in further analysis. The world-system theory has a better explanatory power on the material capacity relations and the global division of labor among societies, meanwhile, the neo-Gramscian perspective is useful in the analysis of ideological leadership. Together these two approaches provide an effective

tool in understanding relations between rising powers and the dominant neoliberal institutions.

The second section of this chapter discusses the world-system approach. Firstly, I describe the origins of the world-system perspective. Thus, this theory has much in common with another neo-Marxist perspective, such as the dependency approach. Both of them were elaborated as an argument against the modernization approach, which explained the backwardness of some countries relying on works of classical economics. Secondly, I aim to describe the main features of the world-system perspective. According to its main proponents, today's world operates within a single division of labor. This stratification was a result of the combination of factors, such as the global expansion of the European world-economy starting from the sixteenth century, subsequent colonialism era, and unequal exchange in the international trade between developed and developing countries. Thirdly, I would like to focus on the core-periphery hierarchy within the interstate system. Accordingly, the relations between strata of the world-system have exploitative character. The most developed societies on the top of the hierarchy use the rest of the world as a source of cheap labor, raw materials, and as markets for their high value-added production.

The third section of this chapter discusses the neo-Gramscian perspective towards the international political economy. Firstly, I look at the main concepts presented by Italian philosopher Antonio Gramsci. The most important among them are hegemony, historical bloc, the Modern Prince, passive revolution, counter-hegemony, and transformism. Secondly, it is worth analyzing how neo-Gramscian proponents implemented these concepts to international relations. According to the neo-Gramscian approach, the local hegemony of a social class within a country externalizes its power abroad to other countries and strengthens the hegemonic position of this state in the international arena. The local historical bloc (a solid structure of state and society) of a hegemon finds allies among social classes in other states and constitutes a global historical bloc. The world hegemony of the historical bloc institutionalizes the power of the dominant state by the spread of its ideology and the creation of international organizations. The movement of counter-hegemony is established within a country where the society unites around the

Modern Prince, a political party. Finally, in the conclusion part, I am going to outline the main arguments of this chapter.

1.1. Rising Powers in International Relations Theories

International Relations theories tend to look at the phenomenon of emerging powers with different attitudes from highly optimistic as liberalism to strongly pessimistic as realism. Whereas liberalism claims that greater involvement in the current international order is in rising powers' interests (Ikenberry, 2012, p. 61; 2018), realism argues that rising powers will inevitably challenge the current order and it will lead to a conflict between current dominant and rising powers (Gilpin, 1981, p. 187; Schweller & Pu, 2011). Indeed, according to realist proponents, rapid economic growth changes the balance in the international system, which provokes the risk of a conflict between dominant and contender states. Furthermore, nowadays rising powers are less attached to the principles of the liberal order. Therefore, as the global distribution of power emerges, the world order is on the verge of fundamental changes (Burrows & Harris, 2009). Realism tends to see world affairs as a zero-sum game, that is why the eventual conflict between China, as the most powerful contender, and the existing powers emerges (Mearsheimer, 2010). However, even though realism is used to explain great powers' relations during the last centuries, it ignores how states have transformed under globalization. Thereby, its proponents continue to analyze the phenomenon of rising powers through Thucydides' Trap (Allison, 2017). This is a misapplication of history since the modern world is much more complex than the limited geopolitics of the Greek city-states (Acharya, 2017, p. 283).

As for liberalism, it does not observe any threats to the neoliberal principles of the international order from emerging powers, since they are strongly integrated into existing institutions (Simpson, 2004). Particularly, Chinese economic success was generated within the current system. In fact, the decline of the US hegemony does not mean the end of the liberal world order since the system can operate without a hegemon (Keohane, 1984, p. 46). In fact, the characteristics of the liberal international order are likely to persist even in a condition of the US hegemony decline (Ikenberry, 2018, p. 18). Nonetheless, the liberal school as realism often faces the same problem of ignoring the

interactions of social forces beyond states' boundaries. Although liberalism underlines the role of domestic interests, analyses of rising powers "are overwhelmingly systemic, focusing on the sustainability of international regimes" (Hameiri & Jones, 2015, p. 76).

Constructivism, in turn, just as liberalism, does not acknowledge the existence of a threat to the existing political-economic practices from emerging powers. According to this approach, rising powers tend to adopt prevailing norms rather than to overthrow them (Legro, 2007). The socialization of elites leads to the institutionalization of norms supportive of the current structures of global economic governance (Wendt, 1999, p. 100). Even though emerging powers will seek to change some characteristics of current institutions, such a challenge will assume a limited reformation (Johnston, 2003). For constructivists, an important feature that will define relations of rising powers towards the current international system is how they identify themselves. For instance, China might be both a challenger and a status quo power, and it depends on values Beijing shares: either ideas of Confucian pacifism or principles of realpolitik. However, constructivism also tends to analyze the foreign policy of a state as a unitary actor with a single identity.

Meanwhile, neo-Marxist approaches are the most sensitive to all transnational dynamics including globalization. With the development of capitalism, the nature of competition among states had changed. Before, the scope of hegemony was dependent on geopolitical domination and military force, but capitalism alone has created an autonomously economic form of domination (Wood, 2006, p. 13) and neo-Marxist theories recognize this change. Additionally, states are not unitary actors with national interests, but they represent the development of social power relations within countries (Hameiri & Jones, 2015, p. 78). Truly, state-society complexes, rather than states in isolation, are the basic entity of international relations (Cox, 1981, p. 127).

For this reason, in this work, it will be essential to apply a synergy of two influential neo-Marxist approaches in the IR: the world-system and the neo-Gramscian in order to analyze – does or to what extent China, as the most economically powerful state among emerging powers, challenges the current neoliberal political-economic institutions? While the world-system approach is concentrated more on material and production

relations, the neo-Gramscian perspective analyzes international social processes with a focus on global ideas and institutions, in particular for this work, the neoliberal ones. During this chapter, by engaging with the literature relying on both approaches, I am going to demonstrate that these two approaches do not contradict and even complement each other.

The idea of combining the neo-Gramscian and the world-system approaches was already used in the analysis of China's Belt and Road Initiative (Li eds., 2019, pp. 29-56). Li Xing observed an outward expansion of Chinese influence promoting its ideas abroad. As a result, China's economic capacity and the success of its own development model allow Beijing to challenge the neoliberal order. Indeed, according to some works, scholars recognize in China a potential force to create an alternative development model through its ideational and material leadership (Yilmaz, 2014).

Besides, Giovanni Arrighi analyzed the history of systemic cycles of accumulation from both perspectives (Arrighi, 2010). Hence, he described the emergence of different hegemonic powers observing their ability to accumulate capital on a global scale, as well as to lead the international system from the 'systemic chaos'. Moreover, he claimed that "if China or East Asia were to become hegemonic in the future, it would be a very different type of hegemony than the Western type of the past five hundred years" (Arrighi, 2010, p. 380). Furthermore, according to some scholars, China is not able to use former 'imperialist path' and can only "operate within existing international economic governance conditions while seeking new ways of strengthening international cooperation to generate mutual benefits and win-win solutions" (Liu et al., 2018, p. 1208). Finally, potentially China may even formulate a new alliance of developing countries to oppose the existing world order (Arrighi, 2007).

However, in contrast to these assumptions, I argue that the phenomenon of rising China does not challenge the embedded practices of neoliberal globalization, but on the contrary, strengthens it. In my point of view, Beijing's challenge to existing institutions has a limited nature, whereas the relations with developing countries follow the exploitative character within the global division of labor. Finally, an absence of the required internal

conditions in China together with the inability to promote its own development model abroad (or even the absence of this model), eliminates the possibility of creating a counter-hegemonic movement.

As it was mentioned above, the world-system and the neo-Gramscian approaches complement each other in the analysis of the rising powers. Whereas the world-system theory focuses on the material capacity and the position of society within the global division of labor, the neo-Gramscian approach provides a required analysis of ideological leadership of a hegemon and interactions between social classes beyond state boundaries. Repeating hegemonic cycles represent periods of relative stability in international relations as long as there is one center of capital accumulation on a global scale, which is also an idealistic leader for other societies. Indeed, material capacities, ideas, and institutions together formulate the international world order (Cox, 1981, p. 136). A hegemon becomes a global center for capital inflows together with its ideological leadership and the creation of international institutions, which legitimize its power.

Furthermore, both perspectives observe a co-optation of opposition movements into global governance in order to constrain potentially dangerous ideas. Despite this, for the world-system theory, every time this process creates a new stronger opposition movement, which will show up in the next crisis of the world economy. Simultaneously, the neo-Gramscian approach underlines that transformism may occur over and over again if the counter-hegemony will not be established.

At the same time, it is important to mention that these perspectives do not agree on the issue of declining powers within the international order. As a matter of fact, the world-system approach is systemic in its understanding of the inevitable decline of one hegemonic state and the rise of another one (Arrighi, 2010). Nevertheless, neo-Gramscians argue against such an analysis of the hegemonic decline since this state might be able to maintain a high position in the global hierarchy through the hegemonic position of its social class (Gill, 2008). However, such a conflict of understanding is not significant for the current analysis.

At this point, let us turn back to the application of these approaches to the phenomenon of rising powers. It is crucial to mention that the creation of a new world order is a huge task since “any new historical bloc must have not only power within the civil society and economy but also persuasive ideas and arguments which build on and catalyze its political networks and organization” (Gill & Law, 1989, p. 476). Besides, the new rising power should externalize and project its ideas beyond state boundaries and legitimize its power through international institutions. Moreover, a state where the new alliance is established should have enough material capacity for such a process. In the next two sections of this chapter, it will be essential to discuss two neo-Marxist approaches in detail in order to emphasize their main concepts, which will be useful in further analysis.

1.2. The World-System Theory: The Concept of the Global Division of Labor

In order to understand the main concepts of the world-system theory, it is crucial to take a look at conditions where this approach emerged from. After the Second World War, non-Western and non-socialist, so-called Third World societies were seeking the development path which would serve their own interests and ensure long-term economic prosperity. In social sciences, a question of why there was a huge difference in the development of Western societies with other developing countries remained relevant. In 1960 an American economist Walt Whitman Rostow proposed his idea on what path developing countries should choose in order to achieve a high sustainable economic growth. This path, which has its roots from the classical economic theory, was called a modernization theory and intended to be applicable to all developing societies as a universal model of development.

The idea was the following: from the moment a society starts its modernization, it should pass the way of five stages of development. Rostow (1960) differentiated these stages as 1) traditional economy; 2) the transition to take-off (an adaptation of scientific methods of technology in the economy); 3) the take-off (early industrialization with a rapid capital accumulation); 4) the drive to maturity (high industrialization but low standards of living among masses); 5) the age of high consumption. Key concepts of this perspective are the institutional transformation of society and innovations. Countries that implement them finally succeed in modernization and the ones which fail are remained to be undeveloped.

It is important to underline that for this perspective a single country is an object of the analysis. Accordingly, the reasons for a failed development should be found within society even though scholars agreed on the existing influence of external forces (Black, 1966, p. 75). Undoubtedly, all countries have different historical contexts and start modernization at different stages with various combinations of political, cultural and socio-economic features. However, as Rostow assumed, all societies pass through these stages and developing countries even have an advantage in passing them quicker than developed societies did it in the past (Chirot & Hall, 1982, p. 82). Consequently, a different historical context allows developing countries to modernize more rapidly than their predecessors did and does not have a negative effect on them. Moreover, societies might bypass some stages of development through the acceptance of foreign investments. Indeed, according to this perspective, colonial legacy together with foreign investments, implementation of Western institutions and ideas in different areas ranging from education to media, are supposed to be important channels in the way to modernity (Valenzuela & Valenzuela, 1978, p. 539).

Through the criticism of such a look at the development of post-colonial societies, an entirely new path emerged called the dependency theory. The proponents of this approach recognized deep structural factors as obstacles for the development of the Third World. According to them, it might be true that developed countries such as the UK or the USA have passed the stages of modernization described by Rostow, but some societies, even within Europe, have developed in an entirely different way. These countries at some point in their development found themselves as a 'periphery,' a source of raw materials and cheap labor for the developed world, which has never happened neither with the UK nor with the US (Charts & Hall, 1982, p. 83). Furthermore, not only the Third World have stayed underdeveloped through centuries because of the colonial period and its legacy as a result, but developed countries also would not pass stages of development described by the modernization approach because their success was achieved partly a result of the exploitation of the colonies. Therefore, for the dependency approach, the historical context does have a matter and has played a key role in different levels of development among societies.

Nevertheless, it is essential to realize that if modernization theory was based on classical economics, particularly David Ricardo's works on comparative advantage; dependency and world-system theories were developed based on the works of the nineteenth and twentieth centuries Marxists. When classical economics suggested that free trade is mutually beneficial, Marxists claimed that free trade benefits advanced industrial countries and slowed down the development of poorer economies (Charts & Hall, 1982, p. 87). Additionally, the modernization approach refers to unsuccessful domestic institutions as a reason for failure in the development, whereas for the dependency perspective, the backwardness was a result of unequal trade relations with the developed world coupled with colonial legacy.

Another crucial difference between these two approaches is that the modernization perspective underlines a strong influence of values and ideas on the economic behavior of individuals. For this reason, Western societies have been successfully modernized. As for the dependency approach, it argues for the existence of the constant behavior of individuals in economic matters, but the context makes the difference (Valenzuela & Valenzuela, 1978, p. 550). In other words, the advocates of the modernization approach observed a unique set of values within Western societies, which facilitated the success of capitalism. At the same time, the dependency school claims that culture and ideas do not influence the economic behavior of individuals, but the socio-economic conditions do. At this point, it is essential to elaborate more on the dependency approach.

Dependency theory emerged in Latin America after the Second World War. The first scholar who found contradictions in the classical economics approach towards the international trade was an Argentinian economist Raul Prebisch. As a technical advisor in the Argentinian government, in 1949 Prebisch published a report for the United Nations Department of Economic Affairs where he analyzed conditions of international trade for Latin American countries (Prebisch, 1949). According to the report, developed economies experienced a more rapid increase in productivity than developing agricultural exporters, and trade between these countries does not favor the last ones in the long run.

Later on, the dependency approach was elaborated by other Latin American scholars. Fernando Henrique Cardoso, Enzo Faletto, Osvaldo Sunkel, Theotonio Dos Santos among others described the exploitative character of relations between developed and Latin American countries (Sunkel, 1969; Santos, 1970; Cardoso & Faletto, 1979). Particularly, Sunkel argued that “dependency can be defined as an explanation of the economic development of a state in terms of the external influences – political, economic, and cultural – on national development policies” (Sunkel, 1969, p. 23). Although dependency approach does not blame only the international structure for the underdevelopment of some countries, the reality is that developed countries can expand and be self-sustaining, whereas dependent countries “can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development” (Santos, 1970, p. 231).

One of the most famous proponents of the dependency perspective was Andre Gunder Frank. Sometimes, he is referred to as a founder of this approach, but this is not true since first works on dependency were written in Spanish, and for some time, the dependency perspective had remained as a local Latin American approach. However, Frank, indeed, was the first scholar of dependency school writing in English. Nevertheless, Frank argued that Rostow’s typology ignored both a colonial legacy for developing countries and benefits, which the West got from the exploitation of its colonies. Frank insisted: “historical research demonstrates that contemporary underdevelopment is in large part the historical product of past and continuing economic and other relations between the satellite underdeveloped and the now developed metropolitan countries” (Frank, 1966, p. 18). He criticized particularly the modernization approach for its tendency to analyze the development of Western societies as they did it in isolation from the rest of the world (Frank, 1969, p. 41).

The world-system and the dependency approaches have truly much in common, but the first one has evolved as a North America adaptation of the already existing approach. A sociologist who proposed this name for the approach was Immanuel Wallerstein. He also criticized Rostow’s stages of development for its analysis of societies’ development in a vacuum, separated from the rest of the world. For Wallerstein, the modernization

approach reifies parts of the totality into the units and then compares them, as Rostow reified British development experience into a set of universal stages that, in Wallerstein's opinion, is the ahistorical approach towards social science.

Wallerstein insisted that the whole idea of analyzing capitalist mode of production within national boundaries is misleading since capitalism has never been about nation-states, but about the world-economy as a whole. For this reason, relying on works of dependency scholars and Fernand Braudel with his concept of the *économie-monde*, Wallerstein's idea was to analyze the world processes from a historical perspective. Therefore, throughout centuries societies had been operating within mini-systems. According to Wallerstein, these mini-systems are small units with a single division of labor and a common cultural framework within each. However, from the beginning of the sixteenth century, a modern world-system emerged in Europe. Wallerstein defined the world-system as a unit with a single division of labor including multiple cultural systems (Wallerstein, 1974b, p. 390). Moreover, in his opinion, there are two different kinds of these world-systems: world-empires and world-economies. Their primary difference is that world-empires are supposed to have a common political system and world-economies do not.

Historically, world-economies were unstable systems and either collapsed or transformed into world-empires. Wallerstein argued that the existence of these world-empires was a characteristic feature of pre-modern civilizations such as Egypt, Rome or China. At the same time, in the nineteenth century France and Great Britain with their huge colonial territories were not world-empires, but nation-states operating within a single world-economy (Wallerstein, 1974b, p. 391). According to Wallerstein, the world-economy of the sixteenth century Western Europe did not transform into a world-empire (although Spain made an attempt) due to a high cost of bureaucracy and army to control the system. Instead, this system had developed into the capitalist world-economy, which has expanded to nowadays' sizes.

It is important to mention that there is no consensus when capitalism emerged as a world-system. For instance, another world-system approach proponent Giovanni Arrighi

observed the features of capitalism within Italian city-states in the fifteenth century such as: “the accumulation of capital from long-distance trade and high finance; the management of the balance of power; the commercialization of war; and the development of residential diplomacy” (Arrighi, 2010, p. 40). At the same time, Andre Gunder Frank for a long time agreed with Wallerstein that the modern world-system emerged in Europe around the beginning of the sixteenth century (Kay, 2011, p. 531). However, later Frank argued that such a look at world processes is Eurocentric and the modern world-system exists at least for the last five thousand years (Frank, 1998). Furthermore, until the beginning of the nineteenth century, Asia had been keeping a dominant position in the world-system. Wallerstein, in turn, disagreed with this position and claimed that before the sixteenth century there was no integrated production system, which means no single world-system. Hence, trade relations among different parts of the world alone do not create a system (Wallerstein, 1991).

One more feature of the world-system approach is its look at international trade among societies. This perspective does not see a win-win situation in trade deals among elements of the system and insists that “the exchange of a surplus-value within a system is a zero-sum game” (Wallerstein, 1974b, p. 398). One of the main features of the modern mode of production, Wallerstein argues, is a pursuit of profit maximization through an expansion of production. In the capitalist system, production expands as long as it is profitable. Meanwhile, classical economists insisted that this process is a natural state of the man. For Wallerstein, it is not true since the capitalist mode of production was not the only possible mode during the history of humankind.

Undoubtedly, a phenomenon of ‘unequal exchange’ is crucial in understanding both dependency and world-system theories. This process occurs in economic relations between developed and developing societies. The first ones with stronger state mechanisms are able to appropriate a surplus-value as a result of these relations (Wallerstein, 1974b, p. 401). Thus, according to the world-system approach, the appropriation of a surplus-value occurs on the microeconomic level by capitalists when they exploit the working class and privatize the result of its labor, as well as on the macro level in relations between developed and developing countries. Moreover, the

strengthening of a state apparatus within developed countries occurs simultaneously with a weakening in the developing ones. This phenomenon takes place because the interests of capitalist landowners from the periphery demanding an open economy are opposite to the local commercial bourgeoisie, which seeks access to low-cost products from core countries through the implementation of protectionist policies.

At this point, let us focus more on the hierarchy among societies in the world-system and how this division had been created. Wallerstein argued that all elements of the world-economy can be divided into three groups: core, periphery, and semi-periphery. Nowadays examples of core countries might be the Anglo-Saxon countries, Western Europe, and Japan (Hamme & Pion, 2012, p. 73). Their position in the global division of labor allows them to exploit the rest of the world as a source of cheap labor, natural resources and also as markets for their production. At the same time, the peripheral position in the world-system means that these societies are exploited by core countries in already mentioned ways. Today, to peripheral countries we can refer the majority of countries in sub-Saharan Africa and South Asia. Finally, the semi-periphery is located between core and periphery, and exploits peripheral countries, whereas itself is exploited by the capitalist core. It is hard to distinguish this position by regions, but some examples of semi-peripheral countries are China, Russia, Turkey, and Brazil (Dunaway & Clelland, 2017, p. 402).

According to Wallerstein, once a country finds itself in one of these groups, it is truly hard to change its role in the world-economy, at least in the short run. After an ‘accident’ a society experiences, which can be traced to its history and current geography, the operations of the world-market forces institutionalize the position of this society in the global hierarchy (Wallerstein, 1974b, p. 401). Although the division to core and periphery had been already well explained by the dependency approach, Wallerstein proposed a new intermediary element – semi-periphery. According to him, this buffer zone between core and periphery societies is intended to insulate the capitalists of core states from possible rebellions of periphery states (Wallerstein, 1974a, p. 350).

Indeed, how is it possible to sustain such a world-system for hundreds of years where the wealth is distributed so unequally? Wallerstein explained it with three reasons: military power of the dominant forces, an ideological commitment of exploited masses to the system, and an artificial division of these masses into two strata (periphery and semi-periphery). Thus, semi-periphery has its political, rather than economic role within a world-system as long as core countries do not face a unified opposition. Within such a system with three strata semi-peripheral societies are both exploiters and exploited (Wallerstein, 1974b, p. 405).

Another key feature of semi-peripheral countries might be the desire of their governments to establish control of the domestic and international markets (Wallerstein, 1979, p. 72). Core countries do not have political control over the market even with a possibly strong regulation by taxes. Consequently, the implementation of mercantilist policies is a characteristic feature of these societies, which seeks to achieve a core position. Periphery countries, in turn, have weak governments to control the market and only semi-periphery states have strong enough political apparatus, which serves the interests of the economic elites.

As Wallerstein explained, these structural positions (core, periphery, semi-periphery) were established about 1640. Northwest Europe became the core of this system with a specialization in agricultural production of high skill levels. Western Hemisphere and Eastern European societies became periphery with their specialization on raw materials export to core countries. Mediterranean Europe took semi-peripheral position with a focus on the production of high-cost industrial products and credit transactions (Wallerstein, 1974b, p. 401). Although international trade existed before the middle of the seventeenth century, except for the luxury goods trade deals, it assumed mainly a local character. For this reason, the world-economy with a single division of labor was not established in the Middle Ages Europe.

According to the world-system approach, the crisis of feudalism for European societies, starting from the middle of the fifteenth century, created a need for the geographical expansion of the division of labor. However, from the middle of the seventeenth century,

we could observe a relative recession of the European world-economy since the surplus started to decline and it created a situation for only one core-state to survive (Wallerstein, 1974b, p. 407). Respectively, on this stage of the world-economy development, there is a creation of one hegemon-state within the system. Such hegemons during centuries were Netherlands, England, the USA (Arrighi also acknowledged Italian city-states in the fifteenth century), which replaced each other on the top of the system hierarchy. The concept of hegemony will be elaborated later in the second part of the chapter but for now, it is worth to point out that hegemony is not the same as coercive domination, but an ability of a state to accumulate a huge amount of capital within its geographical borders and to institutionalize its ideas and, what is equally important, to legitimize its power on the global scale.

In order to understand how capital accumulates within national boundaries, let's refer to Giovanni Arrighi (2010). He used Karl Marx's model M-C-M' of capital accumulation (money, commodity, money' where M' means initial capital and the surplus) and implemented it on the international level. Accordingly, M-C is the period of material expansion of capital and C-M' is the period of financial expansion. In the first period, capital 'sets in motion' an increasing mass of commodities. Later on, when the benefits are becoming lower capitalists start withdrawing money from material production and put them into finance, and then we observe the second period. In the second period, an increasing mass of money capital 'sets itself free' from its commodity form, and accumulation proceeds through financial deals. Together, the two phases constitute a full systemic cycle of accumulation (Arrighi, 2010, p. 6). These cycles occurred a few times during the history of the European world-economy within different core countries.

Referring back to the world-economy expansion, the transition from agricultural to industrial capitalism, which happened in the nineteenth century, finally made the European world-economy a truly global affair. This final expansion occurred due to a new demand for raw materials in order to presume the system to work and also to reduce trading costs among different parts of the world (Wallerstein, 1974b, p. 408). As a result, all other world-systems and few numbers of remained mini-systems around the world were eliminated and integrated into the European world-economy. However, although the

USA established a new hegemonic order after the Second World War, the system could not survive for a long as long as many markets were closed to expansion for the capitalist core: Eastern Europe, Soviet Union, China. Thus, the Marshall Plan was provided by the US in order to increase the purchasing power of Western Europe. Furthermore, the decolonization of Africa and some Asian states also opened new markets for the USA. Nevertheless, even all these measures were not enough to sustain the order, and we could observe a crisis of the Bretton Woods system in the 1960-1970s.

As for the future of the modern world-system, Wallerstein pointed out that it is in a structural crisis since there is so little room for further production expansion. It was an integration of China and India with their huge populations that allowed the capitalist world-system to survive. Particularly, in China, a huge middle class was created and its integration into the division of labor gave an opportunity for capital expansion. Regardless, Wallerstein observed still relevant contradictions within the current world-system. Firstly, since capitalism seeks to maximize profits, in the short-run it requires the withdrawal of the surplus from the immediate consumption of the majority. Meanwhile, in the long-run, the surplus maximization can be achieved only through creating a mass demand, which cannot exist without redistribution of the already withdrawn surplus (Wallerstein, 1974b, p. 414). Secondly, whenever dominant forces try to co-opt an oppositional movement by including them to a small share of the privilege, they create a potentially new stronger oppositional movement, which will take place in the next crisis of the world-economy. Hence, with the existence of these contradictions, the modern world-economy will continue to experience a systematic crisis.

Nonetheless, the world-system, as well as dependency approaches, have their weak points. For instance, in 1976 historian Robert Brenner argued against Wallerstein's discussion of backwardness of Eastern Europe on the initial stage of the European world-economy (Wallerstein, 1974a). Particularly, as Brenner argued, the backwardness of Poland was not a result of integrating into the world-economy. Rather, it was a consequence of Poland's failure to achieve a sustainable economic development that made this country a European periphery.

Another weak point of Wallerstein's arguments might be an explanation of why exactly the European world-economy survived, did not transform into a world-empire, but expanded globally (Charts & Hall, 1982, p. 99). The question of what was so special in the European world-economy in the sixteenth century remains open. Additionally, it is also possible to argue against the world-system theory's view of the Soviet Union after 1945, where it took a semi-peripheral position within the world-economy with the potential to become a capitalist core (Wallerstein, 1974b, p. 413). However, in the world-system terms, the Soviet Union represented, probably, the last world-empire led by military-bureaucratic class. It did not exploit Eastern Europe or Cuba, but subsidized them in return for military and strategic advantages (Charts & Hall, 1982, p. 100).

Finally, arguably the most important problem of the world-system theory, which is essential in the context of this work, is paying too little attention to the role of ideas in the development of different societies. Undoubtedly, the colonial legacy left serious scars on many societies in the world. Despite this fact, after 1945 the economic growth of some developing countries was higher than the historic growth rate of core countries (Bairoch & Postan, 2010). Therefore, the different levels of development among countries might be partially connected with various abilities to create favorable conditions for the capitalist mode of production, which may have explanations in the values of societies. Nevertheless, the neo-Gramscian approach, which will be elaborated in the next part of this chapter might fill this ideological gap within the world-system theory.

1.3. World Hegemony and Neo-Gramscian Analysis

Antonio Gramsci was an Italian Marxist philosopher and leader of the Italian Communist Party from 1924 until 1926. Gramsci was also working as Chamber of Deputies up until 1926 when Benito Mussolini and the fascist party took the power in the country. After that point, Antonio Gramsci was arrested and imprisoned. In the period from 1929 to 1935 Gramsci was writing his famous Prison Notebooks, which became known to a wide audience only 40 years later. Some propositions of these works became fundamental for the development of the Western Marxist thought. Gramsci's analysis was focused on capitalist societies (particularly Italian) of the 1920s and 1930s. His primary concern was the creation of an alternative to fascism form of state with the dominating position of the

working class. Many of the concepts that Gramsci elaborated on relations between the state and civil society, in addition to his thoughts on politics and ideology deserve attention.

One of the most important amongst them is the concept of hegemony. Italian philosopher formed this concept, which is based on the experience of the Bolshevik Revolution and Niccolò Machiavelli's writings. Although the idea of the leading position of the proletariat class over allied classes and a dominating position over its enemies, which can be characterized as hegemony, was already proposed by the Communist International (Comintern), Gramsci applied this concept to the class of bourgeoisie within different societies. Consequently, in Northern Europe, he pointed out the complete hegemony of the bourgeois class, which assumed concessions to other classes in return for acquiescence in its leadership. Thus, this position of the bourgeoisie in advanced capitalist societies was based on consent within society when some classes agreed to subordinate. In return, the bourgeois class made commitments to direct the whole society towards common goals and welfare.

Nonetheless, for Gramsci a state had a broad meaning: it included not only the government itself, but also such elements of civil society as the educational system, the church, the press among other institutions, which were able to constrain people's behavior (Cox, 1983, p. 164). Respectively, the bourgeoisie in advanced capitalist countries did not rule the state apparatus since its hegemony existed within civil society. However, it is important to mention that the bourgeoisie did not have a hegemonic position in all Western societies. In fact, some countries like England and France had passed through their own socio-economic revolutions. Hence, they worked out all the consequences of these revolutions and the bourgeois class could establish hegemony. At the same time, other societies imported the results of revolutions from abroad without the elimination of the previous order. Accordingly, a new process occurs, called passive revolution, when neither forces of the new order nor forces of the old one can achieve hegemony (Gramsci, 1971, p. 106).

Referring back to the concept of hegemony, Gramsci took an idea of necessary synergy between consent and coercion from Machiavelli, the image of power as a centaur: half man, half beast (Gramsci, 1971, p. 170). Coercion within a state is not opened and is applied rarely. Hegemony is enough to ensure the conformity of behavior in most people most of the time. Moreover, Gramsci observed such a process as transformism, the co-optation of the leaders of subordinated social groups in order to engage them with the politics of dominating coalition and to constrain potentially dangerous ideas.

As it was mentioned before, Gramsci was concerned about how to create an alternative to fascism order in Italy and argued that the society should unite around the Modern Prince, a revolutionary party. Indeed, inspired by Machiavellian Prince, Gramsci insisted that a newly organized society needs such leadership, but not by a single person. “It can only be an organism, a complex element of society in which a collective will, which has already been recognized and has to some extent asserted itself in action, begins to take concrete form. History has already provided this organism, and it is the political party” (Gramsci, 1971, p. 129).

Gramsci was assured that the socialist revolution cannot occur in the West the way it did in Russia in 1917, where the executive and coercive apparatus was huge, but the civil society was undeveloped. As a result, the relatively small working class led by the revolutionary party took power in the country and did not face resistance from civil society. This strategy Gramsci called a ‘war of movement’ as an analogy for the battlefield strategy. Contrary, in the West due to a “proper relation between state and civil society” such strategy may not be useful, that is why the struggle has to be won firstly within society (Gramsci, 1971, p. 238). Therefore, for Western societies an appropriate strategy should be a ‘war of position,’ and this means a need in the creation of alternative institutions and mobilization of intellectual resources, creation of counter-hegemony.

One more important concept Gramsci elaborated was the term ‘historical bloc’. It is a solid structure constituted of state and society. Whenever this structure exhausts its potential, the revolution occurs, and a new structure is ready to replace it and establish a new order within a country. According to Gramsci, both dominant and emerging

structures are called the 'historical bloc'. The social myth is a tool for the historical bloc to maintain the current order. For Gramsci, ideas and material conditions always bind together and influence each other. Material conditions include social relations and physical means of production. Ideology and political structure shape these conditions and are also shaped by it. It is also important to notice that historical bloc cannot exist without the hegemony of a social class. Within society, social forces maintain the stability of the order through common culture. A new historical bloc emerges when one subordinate class establishes its hegemony over other subordinate classes. It requires a dialogue between leaders and followers within this social class (Cox, 1983, pp. 167-168). For this reason, for Gramsci, Lenin's idea of the leading party for the immature working class might be applicable only in a 'war of movement'. In Western societies, the Modern Prince should stimulate the dialogue between the new hegemonic class and leaders of other classes.

At this point let us refer to the international level. It is true that Gramsci himself mentioned the relation between changes within societies and in the international arena: "any organic innovation in the social structure, through its technical-military expressions, modifies organically absolute and relative relations in the international field too" (Gramsci, 1971, p. 176). Hence, a reason for any change in the world order can be traced to fundamental social transformation, not in the opposite way. For Gramsci, the state is still the most important actor in the international arena and the place where social conflicts occur. However, international relations are not characterized simply by actions of foreign policy bureaucrats or by distributions of military potentials, but in contrast, Gramsci saw every state as the 'enlarged state,' which includes elements of both political and civil societies. On the international level, great powers have the relative freedom to define their foreign policy according with the domestic needs, but smaller powers have less autonomy. The economic life of subordinate nations is strongly connected with great powers. Moreover, sometimes, different regions of the subordinated states have different relations with external forces.

According to Gramsci, the most powerful states are those, which have passed deep socio-economic revolution and fully worked out its consequences in the form of economic and social relations. All these revolutions were national events, which spilled over national

boundaries. Other countries were also ideologically affected by these revolutions where then passive revolutions started (Cox, 1983, p. 169). In other words, such changes did not occur within these states naturally, but created contradictions between new and old orders. Within such a country some group accepts these revolutionary ideas, but does not take into account the socio-economic context within this particular society. As a result, these ideas take an idealistic form.

Nevertheless, the neo-Gramscian approach, which analyzes hegemony within the international system was elaborated at the beginning of the 1980s. It was Robert Cox (1983; 1987) and other scholars (Arrighi, 1982; Gill, 1986; Gill & Law, 1989) who applied Gramscian ideas to interstate level and created a new perspective towards the analysis of the international political economy. Cox used the Gramscian idea of the hegemonic class within society and defined a hegemonic state within the global order. On this level, hegemony is also not simply the domination of one state over another, but it represents a consent between dominating and subordinated states. Following this logic, Cox differentiates four periods for the analysis (Cox, 1983, pp. 170-171): 1845-1875, 1875-1945, 1945-1965 and the last one started in 1965.

The first period 1845-1875 was hegemonic: there was a world economy with Britain in the center. Free trade, the gold standard, and other features underlined British supremacy and were spread around the world. Britain maintained the balance of power in continental Europe and also had a huge sea capacity to enforce its peripheral states to follow the rules of the free-market. The second period 1875-1945 is a non-hegemonic period when other states challenged the British position. Protectionism overthrew free trade and the balance of power collapsed. During the third period 1945-1965, the USA established a new hegemonic order similar to the British one but with institutions and doctrines for the more complex world economic system. From 1965 and the beginning of the 1970s it appeared that the US was no longer able to ensure its hegemonic position.

It is crucial to notice that such a classification of hegemonic periods is not common. For instance, Giovanni Arrighi, who also referred to Gramsci, described four cycles of capital accumulation within different hegemons where each of them maintained its position more

than a hundred years (Arrighi, 2010, pp. 6-7): 1) Genoese cycle from the fifteenth to seventeenth centuries; 2) Dutch cycle in the seventeenth and eighteenth centuries; 3) British cycle from the late eighteenth until twentieth centuries; 4) the US cycle from the beginning of the twentieth century. During these periods, hegemonies were able to accumulate a huge amount of capital on their territory. Besides, what is equally important in relations between the hegemon and subordinated countries, is that “a dominant state exercises a hegemonic function if it leads the system of states in the desired direction and, in so doing, is perceived as pursuing a general interest. It is this kind of leadership that makes the dominant state hegemonic” (Arrighi, 2010, p. 30). Indeed, a hegemon in its nature is self-interested and pursues primarily its own goals, which, meanwhile, are presented as common goals to subordinated states (Destradi, 2010, p. 917). Consequently, hegemony supposes the ideological leadership of the dominant state and the free will of other states to subordinate.

As Arrighi continues, a dominant state is able to establish the hegemonic order in the situation of ‘systemic chaos’ which is “a situation of total and apparently irremediable lack of organization” within the international system (Arrighi, 2010, p. 31). This chaos is not the same as anarchy in the international system, but refers to the situation when international institutions of the previous order do not work well. For this reason, a hegemon should have sufficient material capacity and, additionally, be able to direct other states from this chaos with a claim that an expansion of its power will be beneficial for other subordinated states. That is why a hegemon needs to establish a universal order for the majority of other states, which would match with their interests.

Moreover, Cox underlined that such a situation of consent within the international system allows forces of civil society to operate on a global scale. As a result, social forces within a dominant state, which has passed through its own socio-economic revolution, establish a world hegemony and operate through the state boundaries, creating a mode of production of a global extent. A world hegemony is, therefore, “in its beginnings an outward expansion of the internal (national) hegemony established by a dominant social class” (Cox, 1983, p. 171). Social, economic, political institutions together with the culture of the hegemony become a desirable pattern abroad. Hence, peripheral states,

which did not pass through their own socio-economic revolution try to adopt new ideas without the destruction of the old power structure, and thus, we witness a passive revolution.

In short, world hegemony is a dominant mode of production, which penetrates to different societies. Besides, it is a complex of international social relations, connecting social classes around the world. Furthermore, world hegemony is both a social structure, an economic structure, and a political structure. Finally, it establishes universal norms and institutions to constrain the behavior of states and maintain the dominant mode of production. Within such an order, states that fail to integrate into the system are stuck in development. Other states develop successfully because they have assimilated into the capitalist world hegemony and serve the needs of international production (Cox, 1987, p. 232). Moreover, all social and political institutions of these states develop in response to these needs. Finally, Cox notices that states often face conflicts between the world hegemony and domestic power interests when they internationalize (Ling, 1996, p. 6).

Another important feature of the neo-Gramscian perspective is the role it gives to international organizations. Indeed, an international organization is a strong mechanism of the world hegemony. Its functions are ideological legitimatization of norms and institutions, prevention of the counter-hegemonic ideas by co-opting elites from peripheral states, and the overall facilitation of the expansion of the world hegemony. In addition, usually, these organizations are by themselves a product of the world hegemony (Cox, 1983, p. 172). Whenever the position of these organizations within global order is strong, nation-states are still free to implement their own domestic socio-economic policies, but only if they meet the interests of the world economy. Generally, the creation of such institutions is initiated or supported by the hegemonic state. However, this state pursues to get consent from other countries as well. All in all, on the global level, international organizations are important instruments of maintaining current order, which institutionalize the vision of the world hegemony and also prevent counter-hegemonic ideas in a manner of transformism.

To sum up, the neo-Gramscian approach suggests that global hegemony is established when national historical bloc externalizes its power and creates linkages with social classes in other countries. Hence, the global historical bloc emerges, “an alliance of different class forces politically organized around a set of hegemonic ideas that gave strategic direction and coherence to its constituent elements” (Gill, 2008, p. 60). Thereby, national and potentially transnational social forces strengthen the power of the hegemon and project its interests to the international arena by establishing widely accepted norms and institutions (Cox, 1987, pp. 149-150). Social classes of the dominant country find allies within globalizing countries. Through mutual interests and ideology, these classes around the world create global classes (Cox, 1987, p. 7). These linkages between social classes on a global scale allow developing countries to integrate into global governance. Finally, this logic leads to the point that “integration of rising powers into the global economy furthers their integration into an expanded transnational class hegemony” (Stephen, 2014, p. 921). As a result of the period of American hegemony, the transnational capitalist class emerged, which established international political-economic conditions strengthening its power. Thus, developing countries, highly integrated into the world economy and global division of labor, become ‘competition states’ since they subordinate to the imperatives of international competitiveness (Cerny, 1997; Strange, 2011, p. 541). Indeed, the transnational capitalist class benefits greatly from such a scenario as long as states compete to attract the capital to their territories by creating more and more favorable conditions for it.

Accordingly, we may observe a clear distinction from the realist concept of hegemony, which supposes the domination of a state over others or the power of a political unit over others (Gill, 1986, p. 206). However, for the neo-Gramscian approach, this is not a case. The hegemonic class within a state, which has a huge amount of the material capacity externalizes its power through state boundaries finding allies in other societies and creating world hegemony. Besides all of this, the creation of a global historical bloc means that “elements of more than one class were involved, and its basis was more organic and rooted in material and normative structures of society” (Gill & Law, 1989, p. 478). As a matter of fact, the global alliance of social forces is created, and it includes

governments and elements of civil societies of both core and peripheral countries. Furthermore, the power expansion of this alliance is legitimized (Gill, 1986, p. 211).

Discussing the issue of the potential counter-hegemonic movement, it is important to highlight a few main points. Firstly, as it was mentioned before, Gramsci himself saw any fundamental change of the world order as a result of a transformation in social relations within a state. Hence, this shift may be possible only through the establishment of a new historical bloc within national borders. Nevertheless, the creation of a new historical bloc should occur through a 'war of position' since a counter-hegemony might emerge only through consent within society. Secondly, the need to connect subordinated classes with each other requires Gramscian Modern Prince. This political organization should create an alliance of different groups disadvantaged from the current world hegemony. Robert Cox assumed that the policy basis for this alliance would most likely be post-Keynesian or neo-mercantilist (Cox, 1983, p. 174).

Although Cox expected to witness the creation of such an alliance after the crisis of the 1960-1970s in the world economy, it has not occurred. Regardless, the contradictions between world hegemony on one side and subordinated groups on another accumulate. Consequently, in the long run, this accumulation of conflicts can lead to the creation of a counter-hegemonic movement since economic, political, and socio-cultural contradictions facilitate the creation of such movements (Gill, 1991, p. 5). Accordingly, in order to observe the creation of counter-hegemony, we need to analyze such conditions within a society, where the Modern Prince eliminates conflicts among groups of civil society and establishes a new historical bloc, which, potentially, may expand its power globally.

1.4. Concluding Remarks

The synthesis of the world-system and the neo-Gramscian perspectives truly might be useful in the analysis of China's interactions with the current political-economic institutions. While the main IR schools have different assumptions on emerging powers and their relations with the neoliberal order, most of them treat this phenomenon from the state-centric position. Simultaneously, two influential neo-Marxist approaches emphasize

the interactions of social groups between different societies. Whereas the world-system theory observes a global division of labor and the ability of hegemon to accumulate capital in their territories, the neo-Gramscian approach analyzes leadership and international institutionalization of hegemon's power.

Particularly, the world-system approach analyzes the power transition during the history of capitalism. With an expansion of the European world-economy, all societies around the world have been integrated into the global division of labor and took positions of core, semi-periphery, or periphery. Therefore, in the global division of labor, core countries are concentrated on the production of the high value-added production, whereas the periphery is a source of raw materials, cheap labor, and markets for goods from the developed world. The transition for society from one of these groups to another is a huge task. Nonetheless, history has such examples when, for instance, Spain dropped from the capitalist core to the semi-periphery or Japan have become a core country during the last decades. The tremendous growth of the Chinese economy in the last decades might represent another case of a society, which seeks to take the highest position in the world-system hierarchy.

The neo-Gramscian analysis, in turn, observes interactions of social classes within different societies. Accordingly, the hegemonic class within a dominant state in the international system expands its power and externalizes the ideology and development path of this state. Moreover, it finds allies among social groups in other countries and creates a world hegemony, which is both a dominant mode of production, a complex of international social relations connecting social classes around the world, and a social, economic, and political structure. At the same time, can China represent a movement of counter-hegemony to the neoliberal order? Then, the fundamental change should occur within China where the society unites around the Modern Prince and formulates an alternative to the world hegemony ideology. Besides, China should be able to promote its development path abroad.

One can claim that China's attitude towards international trade is highly state-centric and that the government uses protectionist policies and, furthermore, for the last decades it has demonstrated the success of its unique development model without following the

Washington Consensus and requirements of the world hegemony. However, the problem is that “in an age of transnational firms, states may be forced to adopt neo-mercantilist policies in order to compete for foreign direct investment and thereby to obtain the sinews of power-skills, capital, and technology” (Gill & Law, 1989, p. 485). Indeed, as Wallerstein underlined, a creation of mercantilist policies is a demand of capitalists “located in states which are one level below the high point of strength in the system” (Wallerstein, 1974b, p. 402). Thus, is China’s rise a challenge to the current world hegemony and are we witnessing an emerging of a new historical bloc? Or does China, instead, seek to focus on transitioning from being “the world’s hub of low-cost manufacturing to producing higher value-added products” (Passi, 2019, p. 179) and taking a core position in the world-system hierarchy? In the next chapters of this work, it will be essential to answer this question by focusing on the case of China’s rise and its ability to project its ideas abroad together with the creation of international institutions.

CHAPTER 2. PERSPECTIVES ON A CHINESE COUNTER-HEGEMONIC ORDER CREATION

As it was mentioned in the first chapter, according to Gramsci, the change in international relations and evolution of the world order occur following the fundamental changes on the domestic level (Gramsci, 1971, p. 176). For this reason, the counter-movement should create an alliance of forces with an alternative ideology and through the establishment of a new historical bloc will it only be able to challenge the hegemonic project of neoliberal globalization. Discussing the form of such an alliance, Stephen Gill argued that in modern times this counter-hegemonic movement might be different from Machiavellian Prince or Gramscian Modern Prince. Gill insists on the existence of a new political agency – the post-modern Prince, which “does not have a single ideology or doctrine, that is it is not a conventional party as such. It is better understood in the plural, as a set of forces in movement, a kind of transnational political party of the future that combines the local and the global” (Gill, 2008, p. 181).

Meanwhile, Gill sees the counter-hegemonic movement as anti-globalist forces such as labor unions, human rights activists, environmentalists, intellectuals, and many others with diverse interests, aims, and purposes, although he does not explain how all these scattered groups may qualitatively challenge the power of transnational historical bloc. Arguably, without the leadership of Gramscian Modern Prince, these forces act in a way of Karl Polanyi’s ‘double movement’ countering the commodification of labor, land, and money by the free-market (Polanyi, 2012, p. 136), but without establishing an alternative to the world hegemony. In reality, these social forces find themselves in the endless struggle and are not able to overthrow the commodification process. All in all, in today’s conditions the counter-movements are not able to challenge the neoliberal globalization, the process maintained by international historical bloc: transnational enterprises, banks, think tanks, universities, political parties, media companies, the Bretton Woods international organizations among others.

Hence, I believe the counter-hegemony should emerge through the establishment of a new historical bloc within a state, with an alternative ideology or political-economic

practices, which might be post-Keynesian or neo-mercantilist (Cox, 1983, p. 174), led by the Modern Prince. However, only after domestic victory and an establishment of a new class' hegemony in a 'war of position' with the elimination of contradictions in this society, a new historical bloc can emerge. This solid structure of state and society may externalize its power, and affect the world order, only if it has enough material capacity and able to promote the ideological alternative. That is why it is important to analyze internal conditions in China, the potential global rule-setter (Li eds., 2019, p. 7), or even a new hegemonic power, which establishes a new "East Asian-centered world-market society" (Arrighi, 2007, p. 7). In short, the ability of China to challenge existing international political-economic institutions highly depends on its internal conditions.

In the first section of this chapter, I analyze the development experience in China from the beginning of reforms in 1978. First of all, I describe the internal movements until the Tiananmen Square protests in 1989. Therefore, during the first decade of market-oriented reforms, the ruling party in China found itself in danger when the economic liberalization created a demand for liberalization in social and political spheres. Nevertheless, after a few years of liberalization backlash at the beginning of the 1990s, China returned to the internationalization path. Secondly, I introduce to the discussion the concept of the developmental state and compare the experience of East Asian developmental states with China in the 1990s. Thereby, China had some similarities in development with Japan or Asian Tigers these years. Yet, the decentralization of the political-economic power in China represents a clear, but gradual move towards the neoliberal market capitalism. Nonetheless, the Chinese development experience is hard to classify as the pure neoliberal model either. Finally, I analyze Chinese policies in the new century and, particularly, after the 2007-2008 global financial crisis, in order to observe a potential switch of practices that were able to challenge the world hegemony. As the analysis demonstrates, in China, we observe only a deeper commitment to neoliberal globalization and the absence of the counter-hegemonic direction. At the same time, China's development model is not able to offer an alternative to neoliberal institutions. This idea is elaborated more in the second section of this chapter.

Therefore, in the second part of this chapter, I discuss the ideological ability of China to challenge the neoliberal orthodoxy. Analyzing the ‘Beijing Consensus’ and the ‘China model,’ I argue that these concepts are not able to replace the Washington Consensus and neoliberal principles in general. As a fact, they do not form concrete practices for the development process and might be considered as one of nowadays loosely-coupled global regime’s experimentation (Babb & Chorev, 2016). Firstly, I focus on the concept of the Washington Consensus: this term has become a synonym for the practices the international historical bloc promoted during the 1990s. Accordingly, due to the unsuccessful policies for economic liberalization in different countries, this term was highly criticized and created the demand for an alternative concept. Secondly, I discuss the Beijing Consensus and China model concepts and their ability to replace the Washington Consensus. According to the results, these terms are blurry in their implementation and in practice simply demonstrate the commitment to neoliberal globalization under authoritarian control. This argument is elaborated later on in the comparison of Vietnam and Laos cases, as countries following the Chinese developmental path. Hence, both these two cases along with China represent a gradual rather than rapid market liberalization, unlike the Washington Consensus practices of the 1990s in former socialist countries. Overall, I argue that this is not enough for the claim for an alternative model to the current one, which is implemented by the international historical bloc. Finally, I summarize my arguments in a formed conclusion.

2.1. China’s Economic Success: A Small Room for Developmentalism

In 1978 the new Chinese leader Deng Xiaoping announced the start of economic reforms. The primary task of these reforms was to boost competition between state-owned firms, which were supposed to lead to the growth of innovations. Simultaneously, the increase in inequality was a necessary sacrifice in order to achieve economic growth. In practice, the Chinese Communist Party (CCP) introduced market pricing, partly decentralized political-economic power and opened regions for the foreign capital, although under government control. As a result, the CCP managed to establish a form of state-manipulated market economy and ensured a spectacular economic growth in the next decades, together with an upgrade of technological capacities and accumulation of wealth. Furthermore, the party was able to prevent the creation of the coherent capitalist class in

China (Harvey, 2005, pp. 122-123), at least in the initial stage of reforms. It is essential to notice that the start of these reforms in China coincided with the turn to neoliberal policies in the United States and the United Kingdom. Generally, this turn to the more open international trade, together with the gradual destruction of the Bretton Woods system created an opportunity for China to smoothly integrate into the world economy.

As a consequence of the reforms and the beginning of the 'open-door' policy, which China started in the late 1970s, a particular kind of market economy was created with neoliberal elements under the centralized control of the party. During the period from 1979 until 1996, the annual economic growth of China was 9.9 percent (Sun, 2018, p. 1). In the next few years, the Chinese economy also demonstrated high economic growth and even the Asian financial crisis in 1997 did not affect China significantly. Nonetheless, the most stable high growth of the economy China had been experiencing in the period from 2001 to 2007 with the 14.2 percent level this year. Despite this fact, the global financial crisis of 2007-2008, indeed, negatively affected the Chinese economy and starting from 2010, we are witnessing an annual slowdown of the economic growth marking 6.6 percent in 2018, which is still much higher than the average growth for the world (World Bank Data, 2019).

Nevertheless, the liberalization of the economy did not spill over to social or political spheres. Regardless, such a possibility existed during the 1980s. The beginning of economic reforms promoted by Deng Xiaoping created a polarization within the CCP where one group of reformer-nativists argued to constrain a spillover from economic liberalization to other spheres, whereas another group of reformer-cosmopolitanites advocated for the political and social reforms in order to facilitate the internationalization of China (Ling, 1996, p. 9). By the middle of the 1980s, the path of the reformation in China was clearly established. The CCP had gradually replaced Marxian economic categories with elements of Western liberal capitalism. Thus, the individual self-interest got over the central planning, the idea of efficient market forces overthrew the Marxist idea of the class struggle and the revolutionary ideology was relegated to the background (Ling, 1996, pp. 10-12).

Together with the actual economic reformation, the party formulated a strategy for modernization in China. Consequently, the ‘three-step’ strategy for modernization was proclaimed in 1980. Step one assumed doubling the gross domestic product (GDP) and the solution of basic food and light industry issues in China. The second step was again to double China’s GDP by the end of the twentieth century. It is important to mention, that both steps were successfully fulfilled. The final step intends the complete modernization of the Chinese economy by the middle of the twenty-first century (UNDP, 2005, p. 91). Truly, 2049 should become 100 years anniversary of the People’s Republic of China (PRC) creation and many strategies are targeting this date.

For instance, the CCP declared a grand strategy “realizing the China Dream of the great rejuvenation of the Chinese nation.” According to President Xi Jinping, this ‘Chinese dream’ will be implemented in the ‘two centennials’ project (Xi, 2014, p. 325). The first centennial (2021 is the centenary of the CCP creation) supposes the doubling of the 2010 GDP per capita income by 2020. The second centennial which also targets the anniversary of the PRC aims to make China “a modern socialist country that is prosperous, strong, democratic, civilized and harmonious” (Callahan, 2016, p. 230).

Nevertheless, with the start of market-oriented reforms and modernization China began its integration into the expanding, once European, world-economy. Inevitably, China has faced all characteristics of this system, which includes the global division of labor and the requirements of the world hegemony. In such conditions, China, as all globally integrated states, has become a ‘competition state’ (Cerny, 1997). This term means a form of a state, which finds itself subordinated to the imperatives of international competitiveness. This leads to a situation where a state has to redefine its policy from the national orientated development towards competitive export-led growth. In order to achieve this, a state creates conditions of greater openness for international trade and foreign direct investment (FDI). Simultaneously, these features increasingly restrict the range of possible internal policies the government is able to implement in the capital control, welfare, and labor market spheres (Strange, 2011, p. 541).

As a matter of fact, during the 1980s in China, economic entrepreneurship had been largely developing around township and village enterprises, which operated under newly created local governments. These enterprises were typically liberated from government control and became free-market centers with an openness to FDI. Moreover, their location, usually near large cities such as Shanghai, facilitated their development. These areas also became centers of experimental reforms for the CCP. Therefore, the tremendous success of the export-orientated light industry production in the township and village enterprises became a signal for the party, and, as a result, the CCP finally committed to the idea of export-led development in 1987 (Harvey, 2005, p. 128). Such a transformation weakened the actual power of the state in China's political economy and shifted this power to local governments with an opportunity to pursue different strategies for wealth accumulation. However, due to the lack of technological advances, the majority of these local governments became dependent on export-oriented transnational capital.

Up until 1989, it became clear that the gradual economic liberalization, together with the social unrest caused by the elimination of welfare policies, created a threat to the socio-political system in China. Indeed, the group of reformer-nativists had been losing its influence over reformation, and in the same year, the Tiananmen protests began. The main political consequence of these events was a return of power to reformer-nativists group and restoration of Marxist elements in China's political economy, which, although, did not last long. In 1992 the CCP again proclaimed an export-led development model together with a return to the openness for trade and FDI in the middle of the 1990s (Strange, 2011, p. 542). Nonetheless, economic liberalization did not spill over to social or political spheres. Thereby, a 'developmental compromise' was achieved in China, which combines domestic political control with international economic development (Ling, 1996, p. 13). This new political consensus "based on uncompromising authoritarian rule coupled with equally uncompromising economic liberalization was in place" (Hung, 2008, p. 157). As a consequence, 'neoliberalism with Chinese characteristics' (Harvey, 2005, p. 120) or also called 'neo-authoritarianism' (Petracca & Xiong, 1990) was established in China.

During the 1980s and 1990s, a new area of the political economy literature emerges analyzing the success of development models in other East Asian countries such as Japan, Taiwan, South Korea, Singapore, and Hong Kong (Johnson, 1982; Öniş, 1991; Evans, 1995). The authors emphasized a high economic growth together with the increase of the welfare among citizens in conditions of a leading role of governments in this process, rather than laissez-faire policies. These cases are called developmental states.

Having said that, not all scholars underline the unique model of the East Asian states. Thusly, Krugman argued that Asian developmental states have achieved their high economic growth in large part through the mobilization of resources, rather than using some particular development model superior to the Western free-market (Krugman, 1994, p. 70). The secret was an increase in both a labor force participation in the economy and the educational level of the population. The ability of East Asian states such as Japan, four Asian Tigers, and China to mobilize resources allowed them to achieve tremendous results, since “standard economic growth theory predicts that the introduction of labor and capital can empower growth for a time, but eventually economies will experience diminishing marginal returns to each unit of capital or labor” (Malesky & London, 2014, p. 401).

As a result, analyzing Japan, as a good example of such a scenario, Krugman emphasized the significant growth of the Japanese economy in the 1960s and the beginning of the 1970s, which, however, was replaced by the gradual slowdown of the economy in the next decades. Although Japan’s economy continued to grow faster than economies of other developed countries, Krugman argued that this gap started to become smaller (Krugman, 1994, p. 73). As for nowadays, the Japanese economy does not demonstrate an annual growth of more than 2 percent starting from 2010 (World Bank Data, 2019). In my point of view, even though such an explanation for the successful development cases in East Asia might be applicable, it ignores the existence of unique institutions and practices in developmental states.

Nevertheless, the success of the developmental state model in East Asia created a situation in the literature when this term itself is used as a “blanket buzz term for any

circumstance in which there is the state involvement in some aspect of development” (Fine et al., 2013, p. 25). Truly, some scholars observe the developmental state features in China (Knight, 2014; Li, 2016b, p. 25) or even call China ‘post-Listian’ developmental state making the analogy of China’s development model with neo-mercantilist ideas of German economist Friedrich List (Strange, 2011, p. 544). At the same time, there is also a more balanced position, emphasizing both similarities and differences between Chinese and East Asian developmental state model (Beeson, 2009, p. 12). Thereby, it is worth analyzing such an argument.

Undoubtedly, the fundamental difference between China and the first developmental state, Japan, is a different international context these countries found themselves at the initial stages of development during the Cold War. Meanwhile, Japan was at the forefront of increasingly integrated American post-war hegemony, initially, China had been isolated from such a process. Simultaneously, the historical and cultural context in China also favored the leading role of the state in development. For instance, the central planning system existing in China during the Maoist era assumed not just the leading role of the state, but as the only decision-making actor (Beeson, 2009, p. 21). In such a context, it is not surprising that the CCP kept its important role in development during the market-oriented reforms. Regardless, at this point, let us focus more on the key differences in China with the developmental state.

The 1990s in China were characterized by both a high rate of economic growth and an increase in social polarization and inequalities. At the same time, the CCP had gradually denied some policies such as ‘pick the winner,’ which were crucial elements of the modernization in East Asian developmental states (Evans, 1995). Although the local governments often implement developmental strategies by facilitating the growth of particular industries, in practice, it creates an anarchic competition among localities, which leads to uncoordinated and unnecessary infrastructure projects. In addition, the major state banks in China do not provide loans only to successful enterprises, but subsidize state-owned firms even if they demonstrate their inefficiency, in order to maintain social and political stability by the elimination of massive layoffs (Hung, 2008, pp. 158-160). Such a policy clearly deviates from the developmental practices due to the

fact that not only winners should be picked by the state, but firms also should be punished for the inefficiency (Rodrik, 2006, p. 16; Beeson, 2009, p. 37).

Besides, the decentralization process led to the situation where even after the fiscal reform in 1994, implemented by the central government in order to achieve greater control over tax revenue, local governments still controlled more than 70 percent of all government expenditures (Naughton, 2007, pp. 434-436). Therefore, the decentralization limited the central government control over the economy and stimulated the competition among local governments in conditions of 'federalism, Chinese style' (Montinola et al., 1995, p. 79).

Another important difference between China and East Asian developmental states on the initial stages of modernization is that the later ones maintained the authoritarian political system together with the development of economic inclusiveness. Through redistributive policies like the land reform in South Korea, East Asian developmental states achieved the growth of the welfare of the lower strata of the population. These policies resulted in the increase of the purchasing power among citizens and created domestic demands for goods of infant industries before they were able to compete in the global market (Grabowski, 1994, p. 417). Although economies of these East Asian states, as well as China, were export-oriented since the 1990s, the CCP did not prevent the increase of inequalities. As a result, despite significant economic growth of the Chinese economy, the manufacturing wage growth of workers is not that high, which is different from examples of other success stories in East Asia (Hung, 2008, p. 162). This creates a dangerous situation for China's economy when the domestic demand cannot catch the growth of production, which makes China even more dependent on the export to the global market.

Nonetheless, China truly has some similarities with developmental states. Arguably the most important thing the CCP successfully managed during China's internationalization is the protection of its key sectors and infant industries (Zhao, 2010, p. 424). This fact alone does not classify China as a developmental state because almost in all countries at some stages of development the state attempted to protect its industries (Chang, 2002), but the fact that the CCP succeeded in the implementation of such protectionist policies

gives it some credit. Accordingly, it allowed China to move from the peripheral position in the global division of labor. Although Beijing had gradually integrated into the world-economy, accepting neoliberal institutions, it remained the authoritarian regime where the party still has political-economic power (though weakened by the decentralization) and the ability to actively intervene in the economy. For instance, proof being the ability of the state to manipulate with the value of yuan. Hence, even in conditions of “fragmentation, decentralization, and internationalization” (Jones & Zeng, 2019, p. 1416), the CCP continues to play an important role in economic development through its planned, coordinated approach, although not always perfect in implementation (Beeson, 2017, p. 177).

Although such a state intervention has been taking place in China, it is equally important to point out that it did not conflict with the neoliberal line of the transnational historical bloc, which also participated in the reformation process. Apart from the actual reformation towards economic liberalization in China, recent studies underline that some non-governmental organizations, such as Ford, alongside the World Bank, had been helping the Chinese scientific community in the process of transition from a Marxist to the neo-classical economy (Cohn, 2017; Huo & Parmar, 2019). Thus, during the period from the start of reforms in China in 1978 until the end of the 2000s, Ford invested around USD 400 million in China, mostly in institutions somehow related to the state (Spire, 2011). Simultaneously with huge investments, Ford supported “numerous excellent students and scholars who studied ‘modern economics’ abroad. Although a large percentage of students did not return home, Ford built networks so they could cooperate with their China-based colleagues” (Huo & Parmar, 2019, p. 7). Summarizing, the Ford Foundation was one of the main sources in educating Chinese scientists on the economic concepts of Western capitalism.

Chinese relations with the World Bank in these years also deserve attention. The issue presented is Deng Xiaoping’s reforms required international aid for their implementation. Understandably, China had been getting this aid in forms of credits from the World Bank and FDI, which we will discuss next. These contacts between the CCP and the World Bank started in 1980, and in the period from 1993 up until the late 1990s, China remained

the largest borrower (Huo & Parmar, 2019, pp. 14-15). In addition to the actual economic aid, the World Bank worked on providing joint studies and conferences with Chinese economists. Hence, the neoliberal economic thought was actively taught among the Chinese scientific community since the beginning of economic reforms.

The initial results of China's openness to FDI were controversial. The only industrial sectors that succeeded in China were the ones exporting goods with high labor content. During the 1980s only four southern coastal zones were opened for foreign investments. Nevertheless, in 1995 the whole country was open for the FDI (Harvey, 2005, p. 130). Indeed, the numbers demonstrate the tremendous increase of FDI in China in the last decades. Accordingly, in 1982 Chinese FDI inflows were USD 430 million or 0.21 percent of the GDP, whereas in 2013 the total value increased to USD 290.9 billion or 3 percent of Chinese GDP. However, in the next years, this value decreased to USD 203.5 billion or 1.5 percent of GDP (World Bank Data, 2019). Certainly, the post-crisis China simultaneously experiences a slowdown in the growth of the economy and the decrease in foreign investment inflows. At the same time, some recent studies demonstrate the biased attitude in existing literature towards the importance of FDI for the economic growth in China (Gunby et al., 2017).

Regardless, the new era of liberalization started in 2001 when China joined the World Trade Organization (WTO). It strengthened Beijing's commitment to trade and FDI openness. China became the complete subject of the neoliberal rules of the WTO and the International Monetary Fund (IMF) and the US Treasury (Harvey, 2005, p. 141). The need for the foreign capital for the continuation of the Chinese economic growth did not leave a choice for the CCP and it had to fall into line with policies of global governance institutions (Breslin, 2005, p. 753). Truly, China found itself subordinated to the imperatives of international competitiveness and through its internationalization became an authoritarian 'competition state' of the world-economy.

One could argue for the fact of neo-mercantilist policies China implements in international trade and it is a clear distinction from the neoliberal free-market model. Despite this fact, as it was mentioned in the first chapter, such a request for protectionist

policies emerges from both domestic capitalists seeking to compete with the production of core countries (Wallerstein, 1974b, p. 402) and from international institutions in order to make states competing for FDI. For this reason, a country creates favorable conditions for transnational capital. It is true that “the current phase of economic globalization has come to be characterized increasingly not by free competition idealized in neo-classical theory but by oligopolistic neo-liberalism: oligopoly and protection for the strong and socialization of their risks, market discipline for the weak” (Gill, 1995, p. 405). Consequently, China’s protectionist policies in global trade do not contradict the current neoliberal institutions.

It is important not to underestimate the role of external forces in the process of internationalization. Hence, the experience of some Central and Eastern European countries such as, for instance, Russia or Poland after the end of the Cold War demonstrates how “strict political and economic conditions were imposed in exchange for loans, technical assistance and the right to apply for entry into Western political associations” (Gill, 2008, pp. 63-64). Such conditions institutionalized the power of capital in these countries under the leadership of global historical bloc, which includes such international organizations as the World Bank, the IMF, and the WTO.

The analysis of China’s policies after the 2007-2008 global financial crisis might demonstrate the shift towards a more Keynesian kind of political economy and challenge the current neoliberal world hegemony. As it was mentioned above, Robert Cox expected to witness a policy basis of the counter-hegemony alliance to be post-Keynesian or neo-mercantilist (Cox, 1983, p. 174). The Keynesian policies might be characterized by the creation of demand from the government in order to maintain full employment. In general, they assume a proactive role of the state in a reaction to the crisis with the aim of encouraging private investment and individual consumption (Jiang, 2014, p. 362).

Even so, the Chinese case demonstrates a limited format of these policies, creating negative long-term results for the economy. Thusly, the state intervention mostly enabled the support for big state-owned enterprises, which, in turn, led to fewer investment opportunities for small and medium firms (Jiang, 2014, p. 368). Together with the short-

term orientation of the central government in dealing with the crisis and the delegation of power to local governments created a situation of inefficient investments and corruption. Moreover, the combination of these negative effects “entailed a massive redistribution of the national wealth within a very short time for the benefit of a small group of vested interests” (Jiang, 2014, p. 381). Up until 2012, the CCP had been focusing on the implementation of such state-intervention policies. At the same time, even during the global financial crisis of 2007-2008, all major economies including China have scrupulously upheld their WTO commitments (Stephen, 2014, p. 929).

In the analysis above I argued that there is no unique development model China has implemented in the period from the beginning of the reforms in 1978. Rather, the Chinese case demonstrates the coexistence of the developmental state features coupled with the implementation of the neoliberal policies. Truly, it is hard to deny that the state played a significant role during the market-oriented reforms. However, “this action is seen to increasingly reflect capitalist class formation” (Strange, 2011, p. 542), “emerging from the Chinese Communist Party itself” (Hameiri & Jones, 2015, p. 82). In fact, as some recent study demonstrates, almost every largest enterprise in China, both state and privately owned, have affiliations to politics through their directors (De Graaff, 2019, p. 17). Thereby, the development of the capitalist class in China did not put under a threat its political leaders and eventually the legitimacy of the CCP. The party remains to be the main political entity in China and continues to appoint many heads in state-owned enterprises (Beeson, 2017, p. 180). This fact might be considered as both proof for the actual power the CCP keeps over the economic affairs in China, as well as the demonstration of the ordoliberal direction in Chinese political-economic discourse. Even though, what is remarkable, “there is a growing coincidence of the interests” of large capital and the CCP (Beeson, 2009, p. 26).

All in all, it is important to underline that the changes in world orders are influenced by nations “that have developed primacy in productive and destructive potentials, including the potential to effectively rule and co-ordinate populations (and bodies) as well as to provide ideologies of leadership and government” (Gill, 2008, p. 54). Regarding this position, the counter movement to the world hegemony of the transnational capital and

international historical bloc requires not only the material capacity but also the ability to unite social groups around the Modern Prince with ideological leadership. In China, social polarization only increased during the last decades and the economic growth was achieved by sacrificing the political-economic power of the central government, which found itself constrained in the variety of domestic policies it is able to implement. In the next section, I will discuss concepts such as the ‘Beijing Consensus’ and the ‘China model,’ which emerged as a result of China’s successful development during the last decades. Accordingly, I am going to argue against a claim of some authors that China had a unique development path, which is able to challenge and replace Western free-market model for developing societies.

2.2. Exporting the ‘Beijing Consensus’ and the ‘China Model’?

Before the discussion on the ‘Beijing Consensus’ and the ‘China model,’ it is important to describe the context where these concepts emerged from. In 1989 the term Washington Consensus was introduced in the paper called ‘What Washington means by policy reforms’ with the authorship of John Williamson, the senior fellow of the Peterson Institute for International Economics (Williamson, 1990). The paper was supposed to be a policy guide for governments of those Latin American countries, which found themselves in the huge foreign debt during the 1980s. In 1989 the Treasury Secretary Nicholas Brady announced the plan, according to which the debt of Latin American governments to commercial banks would be reduced in exchange for the market liberalization reforms in these countries. In the same year in the background paper of the conference, discussing the debt issue and organized by the Institute for International Economics, Williamson listed 10 policy reforms Latin American countries should implement in order to restore their economic growth. Particularly these reforms touch fiscal discipline, reordering public expenditure priorities, tax reform, liberalization of interest rates, a competitive exchange rate, trade liberalization, liberalization of inward foreign direct investment, privatization, deregulation of barriers for firms to enter or exit sectors, and strong protection of property rights (Oatley, 2012, p. 335).

Later on, the term ‘Washington Consensus’ became often used and blurred in its meaning. It became a common name for both the policies recommended by the international

financial institutions and neoliberalism in general. The fact that, for instance, the IMF's further policies were quite different from the original 10 statements Williamson proposed, played negatively for the reputation of the Washington Consensus, especially after the failed 'shock therapy' reforms in the former socialist bloc countries and the 2007-2008 financial crisis (Li et al., 2010, p. 298). For example, Williamson argued that one of his principles regarding the openness for FDI did not mean liberalization of the capital account "because there was never a consensus on that question" (Kennedy, 2010, p. 464). What is more, the deregulation process did not assume the elimination of regulated public goods' prices. It is important to realize this background from where the 'Beijing Consensus' emerged as the concept, opposing not the 10 policies proposed by Williamson, but neoliberal practices in general and the American post-Cold War hegemony.

Nevertheless, the failure of neoliberal policies implemented in several developing countries during the 1990s created the demand for an alternative set of practices. In 2004, the British think tank, the Foreign Policy Center in the authorship of Joshua Cooper Ramo published a work where he proposed a new term called the 'Beijing Consensus' (Ramo, 2004). The basic claim of this paper is that the economic success of China makes its development model attractive to other developing countries. This model, according to Ramo, is based on three principles: innovation-based development, giving the priority to sustainability and equality, and self-determination in international relations. Consequently, the debate emerged on the question is Beijing Consensus able to replace the Washington Consensus or not (Li et al., 2010; Huang, 2010; Kennedy, 2010).

The original conceptualization of the Beijing Consensus by Ramo has been criticized even from the proponents of the idea of China's unique development model (Li et al., 2010, p. 301). What is even more important, according to the authors, the Beijing Consensus is often understood as the doctrine and a challenge to the Washington Consensus, with an obvious implementation of having both of these concepts named similarly. Additionally, the Chinese case of economic success has not been innovation-based since Ramo overestimated the role of innovations in China's economic success. Chinese firms successfully integrated into the high technologies global market but mostly took the role of manufacturers of foreign companies' designs (Ernst & Naughton, 2007).

Furthermore, during the last decades in China, the issues of environmental sustainability and equality have become even more critical. For instance, starting from 2006 China has been the world leader in annual carbon dioxide emissions (Ritchie & Roser, 2017). As for equality, the Gini index, the measure for the distribution of income, in China was growing from 32.2 in 1990 to 43.7 in 2008. However, it is essential to mention that since 2009 the gap between rich and poor in China narrowed down to Gini 38.6 in 2015 (World Bank Data, 2019). Besides, the polarization of income between Chinese coastal and inland regions continues to grow and the CCP is concerned with this fact. As a result, China started the implementation of grand strategies such as the 'Go West' and the Belt and Road Initiative in order to reduce the economic imbalance among regions (Li eds., 2019). Therefore, the concept of the Beijing Consensus offered by Ramo is misleading and is represented as an opposition to the Washington Consensus and American hegemony.

In order to modify the original Ramo's concept, the group of authors (Li et al., 2010) proposed 10 principles of the Beijing Consensus, emphasizing that this might be a flexible guidance for governments and not a set of rules countries should copy and follow. Among these principles, the basic idea is that societies have a right to choose their own policies, considering the context they live in. Moreover, the Beijing Consensus encourages finding a balance between the free-market and government intervention in the economy. The complete modernization, according to the authors, might be achieved by different practices and governments have sovereignty and authority to choose them. Political stability, upgrade of industries, technological and institutional innovations, partial financial liberalization, and the supremacy of the economic growth are other principles of the Beijing Consensus.

The problem with such an understanding of the Beijing Consensus is that this concept includes everything you want that is against the Washington Consensus in a broad meaning of the term. For instance, instead of concrete policies of opening the economy and non-intervention, the Beijing Consensus simply declares that countries may choose the degree of state non-intervention to the economy by themselves. Furthermore, such principles, as the upgrade of industries or technological and institutional innovations,

should not be considered as some sort of unique policies, but truly all societies pursue them in their development.

In addition, paradoxically, China itself has followed eight out of the ten original Washington Consensus policies (Kennedy, 2010, p. 470). Although China did not implement policies proposed by the Washington Consensus ideally, the pattern for this direction was clearly established from the beginning of reforms in 1978. This is not surprising due to China's focus on the export-led economic growth together with the neo-classical economics education of the Chinese scientific community sponsored by Western enterprises (Huo & Parmar, 2019). Indeed, the world hegemony of transnational capital with the support of international institutions have made China the competition state of the existing world order. Simultaneously, China has changed its position in the global division of labor from the peripheral to semi-peripheral status with all the ensuing consequences such as, for instance, withdrawing raw materials from the Third World countries and providing the cheap labor for the core countries.

What is also interesting about the Beijing Consensus is that this concept is not supported by scholars and officials in China (Kennedy, 2010, p. 472). In other words, the meaning Ramo and supporters gave to this concept makes it antagonistic towards both the US and the Washington Consensus, whereas such position is considered wrong. In my point of view, this understanding is constituted by the specific view of the world processes from the realist school of International Relations. Hence, the challenge of the rising power towards the dominant one may be regarded the same way how Sparta was concerned about the rise of Athens before the Peloponnesian War is represented as an inevitable reality and the cyclic way of history.

As well as the scientific community, the officials in China do not try to export the Chinese development model. Arguably, in international affairs, China keeps its non-ideological nature, and the concept of China's 'Peaceful Rise' prevails among officials and intellectuals (Bijian, 2006). The concept of Beijing Consensus was created outside of China and speculated mostly in the West with a clear misunderstanding. As some authors

underline, it seems the ‘China syndrome’ still survives despite the deeper transparency and internationalization of China in the last decades (Li eds., 2019, p. 10).

The question on whether or not it is possible to export the Beijing Consensus principles abroad is even harder. In the last decades, many scholars have focused on the concept of the developmental state and elaborated its basic principles. Nonetheless, there are concerns that even such a clear model cannot be exported abroad and successfully implemented outside of East Asia (Öniş, 1991, p. 120; Routley, 2014). No doubt, every historical, political, socio-economic and cultural context are different among societies. The unique context actually existed in East Asian developmental states and it is controversial whether it is possible to implement these policies in the new century (Karaoguz, 2019, pp. 5-6). Thus, in order to offer some sort of model to other societies, it is important to take into account local circumstances. Even during the implementation of such principles as “property rights, the rule of law, market-oriented incentives, sound money, and sustainable public finances” there should be a consideration of domestic specificities (Rodrik, 2007, p. 57).

Due to the criticism towards the Beijing Consensus (Kennedy 2010; Huang, 2011), authors have begun to refer to the Chinese case of successful development as the ‘China model’ (Zhao, 2010; Breslin, 2011; Ambrosio, 2012; Li eds., 2019). The main message of this concept is to learn from China’s development experience some political-economic policies in order to achieve high economic growth and to reduce poverty, whilst maintaining government intervention. Hence, according to this concept, China’s political-economic policies were more effective than Western free-market, and developing societies might learn from China’s experience.

In order to demonstrate how the China model and the Beijing Consensus work differently from the Chinese context, let us look at some examples of countries that were interested in the adaptation of the Beijing Consensus principles. Among these countries, authors name North Korea, Vietnam, Laos, Russia, Kazakhstan, Uzbekistan, Turkmenistan, India, Iran, Brazil, and Zimbabwe (Huang & Ding, 2006, p. 29). First of all, remarkably, that most of the time when different governments refer to China as an example, they try to

emphasize an excuse for the successful case of economic growth under authoritarian rule (Ambrosio, 2012). Indeed, among these countries, only Brazil and India can be considered democratic countries whereas others are classified as 'not free' (Freedom House, 2019). For instance, in 2005 Robert Mugabe, the former president of Zimbabwe who was holding his post from 1987 to 2017, declared “we are looking to the East where the sun rises, and have turned our backs on the West where the sun sets” (Meldrum, 2005). At the same time, this pivot occurred not only due to impressive economic development in China but also because of sanctions Western countries implemented against the ruling party and Mugabe (Ojakorotu & Kamidza, 2018, p. 18). Therefore, due to the blurry interpretation of the Beijing Consensus, the more concrete concept of the China model seems to be authoritarian capitalism.

For the analysis of how foreign governments import China's experience let us look at two neighboring countries in Southeast Asia – Vietnam and Laos. These two illustrative cases represent different interpretations of Chinese development experience. As a matter of fact, both states have a one-party system with government intervention into the market and, for example, in the period from 1990 to 2012 Vietnam and Laos together with China were the three fastest-growing economies in the world (Malesky & London, 2014, p. 396) and starting from 2000 the annual economic growth in Laos and Vietnam is above 5 percent (World Bank Data, 2019). Although there are no official statements from these countries in terms of following the Beijing Consensus in their development, the direction for this model is clear since “they are inspired by China's ability to maintain high economic growth with illiberal politics and, consequently, they try to emulate it” (Wibowo, 2009, p. 217). Truly, there are historical and also current political reasons for the absence of these statements such as, for instance, the territorial disputes in the South China Sea between China and Vietnam (Global Conflict Tracker, 2019). Nevertheless, exactly Vietnam and Laos are called the most loyal disciples of the Beijing Consensus (Gill & Huang, 2006, p. 21).

In Vietnam before 1986, central planning, collective farming, nationalized manufacturing had been the key elements of the political economy. The country had experienced several problems including food supplies, growing external debt, high inflation in the conditions

where the majority of the population was living in poverty (Chaponnière & Cling, 2009, p. 106). However, in 1986 the Communist Party of Vietnam (CPV) started market-oriented reforms of ‘economic renovation’ (Busch, 2017, p. 5). At the initial stages, the CPV implemented the decollectivization and liberalization of prices according to the new Land Law in 1987. In 1992 the government also amended the constitution, recognizing the role of the private sector. Besides, the set of reforms also included the Law on Foreign Investment and Corporate Law and Private Enterprise Law (Vuong, 2014). Simultaneously, the CPV underlined its leading role in the creation of a socialist economy, including market mechanisms (Vuving, 2013, p. 325). Arguably, political stability together with the gradual trade and investment liberalization were the primary focuses for the party (Riedel & Turley, 1999).

As China did at the beginning of the 1980s, Vietnam pursued a similar scale of privatization right after 1986 keeping large enterprises under state ownership. For example, during the period of privatization especially from 2000 to 2011, the government continued to keep almost two-thirds of state-owned enterprises’ shares (Pincus, 2015, p. 11). In general, the introduction of market mechanisms occurred under state control. Additionally, an important feature in the Vietnamese reformation was the fact that the CPV has sent its officials to study in China and, indeed, implemented the foreign experience but with a consideration of domestic realities (Zhenming, 2019).

Nonetheless, the orientation towards the export-led development model was established (Chaponnière & Cling, 2009; Malesky & London, 2014; Busch, 2017). Although the CPV provided rapid external liberalization, the rate of protectionism remained high. Vietnam had been gradually eliminating non-tariff barriers, but in 2006 had still kept a relatively high level of protectionism and taxes (Athukorala, 2006). In 2007 Vietnam joined the WTO, which accelerated the export orientation of its economy. The numbers confirm this: in 2006 Vietnam exported goods and services for around USD 45 billion, whereas in 2018 this number increased up to USD 233.6 billion (World Bank Data, 2019). The data for the percentage of export compared to GDP shows a clear export-led model of development in Vietnam: in 1986 export of goods and services was 6.6 percent of Vietnamese GDP, 36 percent in 1990, 55 percent in 2001 and 95.3 percent in 2018 (World

Bank Data, 2019). This feature is truly high among other countries in Southeast Asia, where only Singapore has a higher percentage. Furthermore, during the years of reforms, Vietnam has successfully integrated into the global value chains, which has resulted in the growth of the value-added in the key export goods such as textiles, transport equipment, electronics among others (World Bank, 2016, pp. 149-153). Thus, Vietnam transformed itself into a manufacturing export-oriented economy (Abad, 2010, p. 52).

An important feature of the market-oriented reforms in Vietnam was the reliance on FDI. At the same time, the CPV maintained control over foreign investment flow such as, for instance, limits on the share of capital detained by foreign investors (Chaponnière & Cling, 2009, p. 107). Remarkably, foreign investors were obligated to create a joint venture with local firms. Nevertheless, the CPV created relatively favorable conditions for the investment inflow. Therefore, in 2006 the FDI inflow was USD 2.4 billion or 3.6 percent of GDP, and in 2018 this number increased to USD 15.5 billion or 6.3 percent of GDP (World Bank Data, 2019).

In 1994 the US embargo on Vietnam ended and in the following years, the CPV implemented interstate trade liberalization and signed bilateral agreements with both the USA and the European Union at the beginning of the 2000s (Busch, 2017, p. 6). It should be brought to attention that Vietnam liberalized trade with other Southeast Asian states and in 1995 joined the Association of Southeast Asian Nations (ASEAN) and became part of the Asian Free Trade Area.

Arguably, joining the WTO limits the state intervention to the economy. For instance, state-owned enterprises should not get privileges and it puts a question of their partial privatization. In addition, the obligation for foreign investors to form a joint venture with local partners had to be removed (Chaponnière & Cling, 2009, p. 108). The relative inefficiency of the state-owned sector in the Vietnamese economy is a real concern for the CPV. Since 1986 these enterprises have been growing slower and used the resources less efficiently than privatized firms (Pincus, 2015, p. 15). In fact, the reform of the state-owned sector and restructuring of financial sectors are the agenda of the CPV nowadays. Furthermore, Vietnam faced a similar with China problem where the empowering of local

governments led to the competition for investments among them, which created inefficient spendings for infrastructure projects. For instance, although a high number of existing industrial parks in Vietnam do not use their full capacity, the local governments are planning to almost double its number until the year 2020 (World Bank, 2016, p. 351). Accordingly, nowadays policies of the CPV are concentrated mainly on resolving bad debts in the banking sector, rationalizing the state-owned sector, and improving the quality of public investment. (Busch, 2017, pp. 8-9).

As for the Lao's People Democratic Republic or just Laos, the market-oriented reforms occurred more rapidly and on a larger scale than it happened in Vietnam. Whereas Vietnam placed the political stability first, Laos has gradually moved towards a market-based authoritarianism (Gill & Huang, 2006, p. 21). The Lao People's Revolutionary Party (LPRP) is the single ruling party in Laos since 1975. Before 1986, Laos had faced several, similar to Vietnam's problems, such as food supply and inefficient management of the economy from the central government. The geographically landlocked position of Laos only aggravated the situation. However, since 1986, the same as Vietnam, the LPRP started to implement market-oriented reforms called the 'New Economic Mechanism' with a progressive withdrawal of the state from the economy.

At the initial stage of reformation, the LPRP focused on the liberalization of prices, trade, and foreign investment, the stimulation of state-owned sectors to operate in a way of commercial enterprises, the rapid introduction of the private sector to the economy, and reformation of taxation system (UNDP, 2004, pp. 7-8). An important fact is that the government finished the implementation of these reforms within a few years, just before 1989. Thereby, Laos represents the case of relatively rapid economic liberalization. Besides, the LPRP targeted the diversification of the economy from the agricultural sector and aimed to increase the Laos' share of goods in the world market (Abad, 2010, p. 52).

In the next few years, the LPRP provided monetary and fiscal reforms in order to restrict the government and state-owned enterprises' borrowing, as well as to introduce high-interest treasury certificates and bank deposits. Later on, according to the new 'Disengagement plan' in 1991, the government implemented the rapid privatization of

formerly state-owned enterprises, excluding the strategic sectors (Shimomura et al., 1994, p. 178). Other reforms established an increased autonomy for public enterprises, liberalization of trade and simplification of tariffs, unification of the multiple exchange rate system, and foreign investment policy reform (Phimphanthavong, 2012, pp. 179-180). Indeed, the new law for foreign investment allowed even 100 percent foreign ownership of business ventures (Rosser, 2006, p. 33). Finally, these reforms allowed Laos to join the WTO and the ASEAN in the next decades. Despite this, nowadays in Laos, there is still a problem of getting loans for small and medium-sized companies from banks since the interest rates are relatively high. Undoubtedly, the state banking system in Laos remains weak. Consequently, not large enterprises still should heavily rely on FDI (UNDP, 2006, p. 10).

At the same time, Laos did not focus that much on the export-led model of development as Vietnam did. As we could see, both countries experienced tremendous growth in export in the last decades: whereas in Vietnam since 1990 the export of goods and services increased almost 14 times, the same values in Laos increased by more than 11 times. Nevertheless, the percentage of export of total GDP is different. In the period from 1986 to 2017, in Laos, this index increased from 3.6 to 34.4 percent compared with Vietnamese 101.5 percent for the same year (World Bank Data, 2019).

Thus, comparing the development after the start of political-economic reforms in Vietnam and Laos it is crucial to underline a strong orientation towards market liberalization. For this reason, the Beijing Consensus or the China model concepts are irrelevant in these situations since they, as well as the Chinese case, demonstrate the liberalization of economies under authoritarian rule. As a matter of fact, both Vietnam and Laos almost fully pursued 10 policies of the original Washington Consensus. Especially, Laos demonstrated a clear direction towards these policies, where the government, arguably, has not yet achieved only a few recommended ones, described in the Washington Consensus: the reorientation of public expenditures and financial liberalization, although the direction of achieving these policies has been established. Moreover, even though both Vietnam and Laos introduced private sectors in the economy through the reforms, the authoritarian political control in these countries supposes a

possible nationalization, which does not guarantee the security of property rights. However, such a scenario of possible nationalization is unlikely to occur since both countries are relying on FDI and have strongly integrated into international institutions.

Finally, the Beijing Consensus and China model are unable to replace the Washington Consensus for two reasons. Firstly, as it was demonstrated above, both the CPV and the LPRP have differently imported the Chinese experience. For instance, in Vietnam, the export is much more dominant in the economy than in Laos. Simultaneously, the LPRP provided liberalization of prices and privatization of state-owned enterprises on a larger scale. As a matter of fact, the CPV is currently looking forward to a larger privatization due to the inefficiency of some firms in the state-owned sector. Secondly, although it is true that these countries provided the market-oriented reforms gradually, unlike the ‘shock therapy’ in the former socialist bloc countries, this fact is not sufficient to claim the existence of an alternative development paradigm.

To sum up, China’s development in the last decades has been fascinating, but it did not represent any sort of alternative to the hegemonic project of neoliberal globalization. In such conditions, the China model might exist, but as Breslin highlights: “there is no common and agreed understanding of what the China model means and whether it implies uniqueness or not. And whether they like it or not, those who talk and write about the China model or the Beijing Consensus need to be aware that they are part of the process of making it real” (Breslin, 2011, p. 1343). Nonetheless, the analysis demonstrates that China represents the case of a kind of pragmatic and cautious move towards the market economy (Chen, 2018, p. 75). Truly, since the beginning of market-oriented reforms in 1978, the CCP has gradually provided liberalization of the economy and internationalization of China with a short period of backlash at the beginning of the 1990s. Notably, as we observe from the development of China, its economy demonstrated the best results in the periods of market liberalization instead of statist policies (Huang, 2011).

2.3. Concluding Remarks

The analysis of internal conditions in China demonstrates the absence of the counter-hegemonic historical bloc. Together with the semi-peripheral position that China took in

the global division of labor through the implementation of the export-oriented growth, it became a global market-oriented manufacturing economy. It was crucial to notice some similarities between the East Asian developmental state model and Chinese experience since 1978, where the state undeniably has played a leading role in economic policies. Yet, what is equally important, and particularly crucial for this thesis, such a state intervention fits into the line with political-economic institutions of the neoliberal order. To elaborate, this leading role of the state corresponds to the ordoliberal idea of creating the most favorable conditions among market elements in order to achieve efficiency. Even though some development policies implemented in China are at odds with the fundamental principles of the neoliberal order (Beeson, 2017, p. 192), there is clearly the growing influence of market forces in China, that questions the political-economic power of the state (Lardy, 2014, p. 144). Consequently, Chinese development experience does not oppose the neoliberal line of the transnational historical bloc, especially if we are taking into account an important role of this bloc's elements in the process of China's internationalization, such as the World Bank or the Ford Foundation (Huo & Parmar, 2019).

Additionally, the implementation of policies regarding the 'China model' or the 'Beijing Consensus' is different even within Vietnam and Laos, two of the most loyal disciples of China's development experience. Therefore, despite the increase of material capacity, China does not represent an ideological alternative to the world hegemony. From the neo-Gramscian perspective, this means the inability to challenge the current international political-economic institutions.

In the next chapter, it will be essential to focus on the implementation of the Belt and Road Initiative, which China announced in 2013. This analysis should be useful in order to evaluate the challenge China poses to the current global division of labor and the core-periphery hierarchy in the world-system. Hence, in the third chapter of this thesis, I will analyze the relations of China with the global South, and particularly with two Central Asian countries – Uzbekistan and Tajikistan in the Belt and Road initiative framework. It is important to analyze the model of globalization China provides in relation to

countries, which have a weaker material capacity, as well as to demonstrate their exploitative manner.



CHAPTER 3. THE BELT AND ROAD INITIATIVE: A NEW TYPE OF ‘INCLUSIVE GLOBALIZATION’?

In September 2013 the President of People’s Republic of China Xi Jinping announced the Belt and Road Initiative (BRI) at Nazarbayev University, Nur-Sultan, Kazakhstan. This program immediately became the central part of China’s domestic and foreign policies. According to the officials of China, this initiative pursues a goal of economic integration for countries in Asia, Europe, and Africa with China, which will give benefits for all participants in this network of infrastructure projects. The BRI originally consists of two ways from China to Europe: the Silk Road Economic Belt (SREB) or ‘Belt,’ which is going through Central Asia, Iran, Turkey, and Russia to Europe, and the New Maritime Silk Road (‘Road’), which implies a sea trade route through South East Asia, Indian Ocean, Suez Canal to the Mediterranean Sea, connecting along the way the Gulf countries and East Africa.

The geographical positions of Central Asian countries such as Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, and Turkmenistan have crucial importance for the realization of the BRI. First of all, these countries are neighbors of China’s Western region Xinjiang. As a matter of fact, the transportation network of the SREB must include these countries. Secondly, the internal markets of these countries are not well integrated into the global economy. Accordingly, Chinese firms are able to get the maximum benefits from the opening of these markets. Finally, the infrastructure building in the Belt part of the BRI has great importance for China as it wishes to develop its Western provinces. Following this logic, Central Asian countries should become the main partners of Xinjiang.

Nevertheless, despite some advantages the BRI provides to these economies, the participation in the initiative will also cause negative effects for the development of these Central Asian countries. As it will be elaborated throughout this chapter, there are entirely different looks at the Chinese initiative. Consequently, some of them underline the ‘inclusiveness’ of the BRI, which represents a contrast to neoliberal globalization and its negative effects during the last decades, while others emphasize on the adverse consequences of the BRI for the participating countries. As opposed to defending any of

these positions, I argue that both results will coexist in the BRI, which continues the principles of current neoliberal political-economic institutions. It should be stated without a doubt, that, as neoliberal globalization, the Chinese initiative truly provides positive effects for societies among economic corridors, but simultaneously deepens the economic inequality, prioritizes the interests of large capital, and sustains the hierarchy in the global division of labor.

The first section of this chapter aims to focus on the period of neoliberal globalization starting from the early 1980s. It discusses the phenomenon of neoliberal globalization from the world-system and the neo-Gramscian perspectives. According to these approaches, the globalization round of the last decades is a signal for the structural crisis of the system. Despite some positive features of this period, it has also strengthened the inequality among countries, as well as within them. Moreover, it institutionalized the power of transnational capital on a global scale. As a result, these negative consequences create a demand for the alternative set of practices with a fairer distribution of benefits among different groups of societies.

The next section of this chapter elaborates on the discussion of the BRI as a framework for the new type of globalizing practices. Thus, first of all, I review the term ‘inclusive globalization’ in the existing literature and underline its main features. Secondly, I expand on what features should be reflected in the BRI in order to work in an inclusive way. Accordingly, BRI projects must intend the development of all regions and the benefits for all groups in participating countries. Additionally, in this case, the cooperation among China and participating countries should be based on win-win solutions. Finally, the section elaborates on the criticism towards the initiative on its ability to implement win-win solutions for both China and societies participating in the initiative. Understandably, some scholars are concerned regarding the type of globalization China offers.

The third section of this chapter focuses on the analysis of BRI projects in two post-Soviet Central Asian countries – Uzbekistan and Tajikistan. Firstly, it discusses the motivations of project realization within Central Asian states for both China and these countries. Thereby, despite the high cost of land transportation, Beijing is interested in the

construction of a transport infrastructure in these countries due to 1) its current sea trade overdependence; and 2) the need of developing Chinese Western regions. As for Central Asian states, the BRI is a unique opportunity for them to attract investment and to get access to foreign markets. Secondly, I focus on particular projects and their implications for Uzbekistan and Tajikistan. As results demonstrate, Uzbekistan is able to get huge benefits from close relations with China, but only with some reforms of economic liberalization (this is mostly a common feature in every discussed country in the region). In addition, the benefits from projects are expected to spread unequally among the regions of this country, which will lead to economic and spatial inequalities. As for Tajikistan, nowadays this country is at the highest risk of dependence from China, where Chinese capital is getting access to the development of natural resources reserves in conditions of growing Beijing's leverage over Dushanbe. Therefore, the cases of these Central Asian states represent the wrong understanding of the BRI as an inclusive way of globalizing practices. Finally, the chapter forms a conclusion.

3.1. The Consequences of Neoliberal Globalization

The crisis in developed countries in the 1970s forced them to abandon Keynesianism and implement a new set of policies, creating favorable conditions for the capital movement on a global scale. The US and the UK became leaders in reducing the role of government in economic affairs, wide privatization together with financial and trade liberalization. However, this fundamental change of political-economic institutions occurred in other parts of the world, including developing countries. For instance, as a consequence of the coup in Chile in 1973, which established a dictatorship of Augusto Pinochet, the new government implemented a range set of economic liberalization policies. This event became the first "historical project of disciplinary neoliberalism" (Gill, 2008, p. 67). Nevertheless, the period of such a change internationally is associated mostly with the years of presidency of Ronald Raegan in the US, Margarethe Thatcher as the Prime-Minister in the UK and the paramount leader Deng Xiaoping in China. As it was demonstrated in the previous chapter, China has been committed to the implementation of neoliberal policies since 1978.

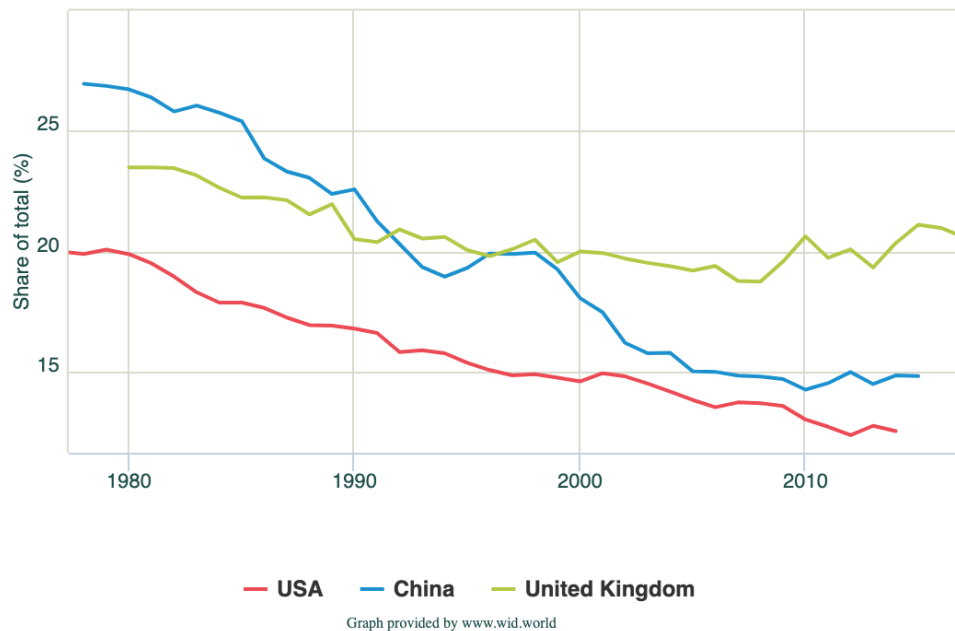
Nonetheless, the period of neoliberal globalization for the last decades has been truly controversial. On the one hand, the world Gross Domestic Product (GDP) (in 2010 USD prices) grew from USD 27.8 trillion in 1980, to USD 82.4 trillion in 2018 (World Bank Data, 2020). China has contributed greatly to such a high growth when in 1980 Chinese GDP (in 2010 USD prices) was USD 340.6 billion or around 1.2 percent of the world GDP, and USD 10.8 trillion in 2018, which is 13.1 percent of the world GDP (World Bank Data, 2020). In addition, the world population, generally, has benefited from the neoliberal globalization round as well. Remarkably, the percentage of people living less than USD 1.9 a day (in purchasing power parity 2011 prices) has dropped from 42.1 percent in 1981 to 10 percent in 2015 (World Bank Data, 2020). Although the annual average growth of the world economy in these years was lower than in the rebuilding post-war period, trade and investment liberalization allowed developed countries to overcome the crisis of the 1970s and early 1980s (Liu et al., 2018, p. 1205).

On the other hand, such a significant growth of the world economy and a decrease in poverty are associated mostly with the development of some Asian countries in that period. Particularly, China and India with their huge populations contributed enormously to the average growth of the world economy in the last decades. Moreover, the period of neoliberal globalization is associated with financial crises such as the Latin America debt crisis in 1982, the Russian and the Asian financial crises in 1997-1998, the Argentinean crisis in 2001-2002, and the global financial crisis of 2007-2008. Finally, neoliberal policies have led to wider economic inequality both within the countries and among them. Hence, in countries, which has gradually followed the neoliberal practices during the last decades, for instance, the US, China, and the UK, we observe a growth of the inequality within societies. In fact, in these countries, the national income share of the bottom 50 percent of the population decreased, notably in China (more than 10 percent) and the US (more than 7 percent). At the same time, this feature for the top 10 percent of the population increased in all countries and again, especially in China and the US (figure 3.1 and figure 3.2). If we take a look at the world average, the global wealth share of the top 1 percent of the world population is 45 percent in 2019 (Shorrocks et al., 2019, p. 13). As for the inequality among countries, there is a similar tendency where, for example, in 1982 “the ratio of the per capita GDP of the richest country in the world to that of the

poorest country stood at 272:1. By 2015 it had increased to 336:1” (Liu et al., 2018, p. 1205). Overall, “in almost every country, the share of the upper half, and indeed usually the upper 10 or 1 percent, of the income distribution has tended to rise, both in those poor countries that have seen an overall rise in average per-capita incomes and in the advanced prosperous economies” (Martin et al., 2018, p. 5).

Figure 3.1: The national income share of the bottom 50 percent of the population in the USA, China, and the United Kingdom during the last decades.

Bottom 50% national income share

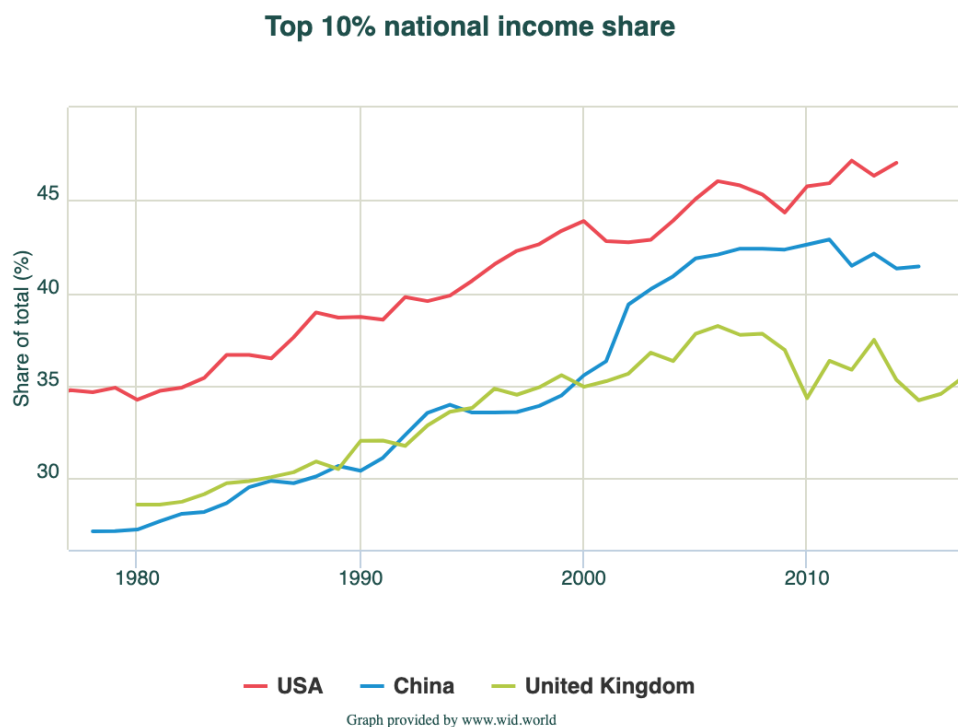


Source: World Inequality Database.

It is essential to realize that the world-system and the neo-Gramscian perspectives understand the period of neoliberal globalization differently. According to the first approach, the neoliberal round might be understood as the second phase of the systemic cycle of capital accumulation in the American ‘long century’ (Arrighi, 2010). This phase is characterized by a general change of the large capital commodity form into the liquid form. Here, the accumulation of capital proceeds mostly through financial deals (Arrighi, 2010, p. 6). Therefore, the world market liberalization starting from the 1970-1980s is not a unique phenomenon, but a recurrent pattern of the capitalist world-system. As for the neo-Gramscian understanding of the neoliberal globalization, such a phenomenon is

linked mostly with the end of the hegemony-based international order. Arguably, the reformation of international institutions in these years has not been based on consent for the extension of transnational capital power, but represented oligopolistic neoliberalism: “oligopoly and protection for the strong and socialization of their risks, market discipline for the weak” (Gill, 1995, p. 405). Nevertheless, the common feature in these approaches towards neoliberal globalization is that such an international regime is a sign of the structural crisis of the system.

Figure 3.2: The national income share of the top 10 percent of the population in the USA, China, and the United Kingdom during the last decades.



Source: World Inequality Database.

Thus, this international neoliberal regime expresses a global elite consensus, which “opposes any form of state or interstate control or intervention” (Cox, 1994, p. 99). Here, the global stratification to the core, semi-periphery, and periphery maintains the system since it is supposed to insulate capitalists of core states from possible rebellions of periphery states (Wallerstein, 1974a, p. 350). At the same time, neoliberal practices are institutionalized on the international level in the form of a political project called ‘new constitutionalism’. The main goal of such a global regime is “the imposition of discipline

on public institutions, partly to prevent national interference with the property rights and entry and exit options of holders of mobile capital with regard to particular political jurisdictions” (Gill, 1995, p. 413). In such a framework, nation-states find themselves constrained in their ability to implement domestic policies. Highly integrated into the world economy and global division of labor, countries become ‘competition states’ (Cerny, 1997) since they subordinate to the imperatives of international competitiveness (Strange, 2011, p. 541).

Indeed, new constitutionalism is the central concept of the neoliberal globalization. It is primarily supposed to secure the interests of a particular class on the international level. Hence, the embeddedness of neoliberal practices in conditions of the limitless flow of capital on the world scale allows the developed countries to continue extracting raw materials from the developing world and to import low-value goods. Simultaneously, developing countries lose the ability to develop their own high-value production and become markets for such products from the capitalist core (Shannon, 1996, p. 16).

It is essential to realize that the period of neoliberal globalization, in contrast to the post-war era of stimulation in international trade in addition to finance under the Bretton Woods organizations, did not reflect the domestic demands of societies, especially in developing countries. In such understanding, the neoliberal globalization “was neither natural nor simply ‘economic’; it reflected the active political role of the US state (and that of its allies) and of an ensemble of social relations underpinning processes of global restructuring” (Gill, 2008, p. 249). At the end of the 1980s and the beginning of the 1990s, the neoliberal globalization achieved its culmination with the creation of the Washington Consensus (Williamson, 1990) and the collapse of the Soviet bloc.

The further decades might be characterized already by the start of the counter-movement rise against neoliberal practices as it happened, for instance, the 1999 Seattle World Trade Organization (WTO) protests (Gill, 2000). These protests included “more than 700 organizations and between 40,000 and 60,000 people – principally human rights activists, labor activists, indigenous people, representatives of churches, industrial workers, small farmers, forest activists, environmentalists, social justice workers, students, and teachers”

(Gill, 2000, p. 138). Moreover, in the next two years, anti-globalist protests continued in many other cities in the world, such as Prague, Chiang Mai, Quebec City, and Genoa (Ayres, 2004, p. 11). Such movements are the representation of the opposition towards the commodification of labor, land, and money, which are, in their nature, not commodities (Polanyi, 2012, p. 75). Consequently, the process of commodification, as well as new constitutionalism, are important elements of neoliberal globalization. Nonetheless, neoliberal practices maintained its dominance on the global scale even after the rise of counter-movement.

Although the neoliberal policies were criticized in the following years, especially after the 2007-2008 global financial crisis, the fundamental change in institutions and the reformation of the Bretton Woods organizations did not occur. The world has entered the period of ‘systemic chaos’ with an irremediable lack of organization in the interstate system (Arrighi, 2010, p. 31). Arguably, today the international community is in the interregnum phase of the creation of the new international institutions (Helleiner, 2010, p. 620). Accordingly, the nowadays moment represents a loosely coupled development regime with space for experimentation (Babb & Chorev, 2016, p. 98). The further constitutive phase should create mechanisms to reconcile the desire for more development autonomy without the disintegration of the global economy (Helleiner, 2010, p. 635).

3.2. Chinese Grand Initiative: Can It Work in an Inclusive Way?

The accumulation of all problems caused by the neoliberal globalization created a demand for alternative ways of political-economic institutions, both domestically and on an interstate level, without the disintegration of the global economy. At the same time, in conditions of the withdrawal of the American leading role in the globalization process under President Trump’s administration, China may start to play a greater role in global affairs without such disintegration (Zhou & Esteban, 2018, p. 501). Therefore, some scholars argue that the BRI represents an alternative to the neoliberal globalization – an ‘inclusive globalization’ model (Liu & Dunford, 2016; Liu et al., 2018, Passi, 2019). This alternative path does not intend any kind of de-globalization, but the reformation of current international practices in order to avoid their negative tendencies. Accepting the

fact that globalization is an objective and hardly controlled process, they believe China is not able to use former ‘imperialist path’ of global North-South relations and can only “operate within existing international economic governance conditions while seeking new ways of strengthening international cooperation to generate mutual benefits and win-win solutions” (Liu et al., 2018, p. 1208). Notably, through such foreign policy initiatives such as the BRI, China seeks to take a new role in global governance as a normative power, promoting alternative ideas and norms (Zhou & Esteban, 2018, p. 488).

In short, the inclusive globalization can be characterized by the following features: 1) the effective regulatory role of the state; 2) inclusive infrastructure development; 3) the ability to choose best practices for each country; 4) cooperation among countries for mutual benefits; 5) securitization of cultural pluralism (Liu et al., 2018, p. 1209). Arguably, such an understanding is in a similar manner with another concept elaborated in the previous chapter – the Beijing Consensus. Indeed, the basic line of the conceptualization lays in such principles as development autonomy for every country with continuing globalization, but in a way to benefit all social groups and individuals. The possibility of realization such an ideal scenario is a controversial question. Instead, let us focus more particularly on how these principles could be implemented in the BRI.

It is important to highlight that this idea of inclusive globalization and its difference from the neoliberal practices is fully supported by China’s policymakers. Thus, they officially declare that “the initiative is harmonious and inclusive. It advocates tolerance among civilizations, respects the paths and modes of development chosen by different countries, and supports dialogues among different civilizations” (NDRC, 2016, p. 3). Furthermore, as the President Xi Jinping emphasized in a speech at the opening of BRI forum in May 2017, “we have no intention to interfere in other countries’ internal affairs, export our own social system and model of development, or impose our own will on others...what we hope to achieve is a new model of win-win cooperation” (Xi, 2017). Finally, in order to realize a great potential of cooperation in the BRI framework, participating countries should “promote policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds” (NDRC, 2016, p. 5).

Taking into account these notes, in order to work in an inclusive way, the Chinese initiative must provide the effective regulatory role of the central government in participating states. Additionally, it should imply the development of both developing and developed regions domestically and in participating countries. Moreover, the benefits from new projects constituting the BRI need to be spread among all elements of societies. Finally, the participation in the BRI should be based on the free will of other countries and should implement cooperation on a mutual respect basis. Therefore, the analysis of such a scenario realization, rather than an abstract discussion on the advantages of inclusive over neoliberal globalization is crucial. Accordingly, in the next section of this chapter, I am going to analyze cases of Uzbekistan and Tajikistan exactly through these features, excluding the principle of securitization of cultural pluralism. For now, let us focus more on the debate over the BRI.

It seems there is a consensus on some domestic causes for the start of the BRI. Scholars mention a variety of reasons, such as to develop the infrastructure in China's Western provinces, to get access to foreign markets for Chinese goods in conditions of over-production, to keep the unemployment at a low level, to guarantee the energy security, and, as consequences of the initiative, to increase geopolitical influence, to internationalize the renminbi, and to maintain political stability (Zhang, 2017; Zhou & Esteban, 2018; Duarte, 2019; Kettunen, 2019; Himaz, 2019). All these reasons, together with some additional results, for example, promoting the Chinese soft power abroad (Shambaugh, 2015), are the main motivations for Beijing behind the BRI.

As Ritika Passi emphasizes, by promoting the BRI "China itself can focus on transitioning from being the world's hub of low-cost manufacturing to producing higher value-added products" (Passi, 2019, p. 179). It is important to underline that this logic corresponds to a manner of behavior of a core capitalist country. Undoubtedly, Beijing seeks to change the model of the Chinese economy from an export-led growth strategy to a consumption-led strategy with a focus on value-added production and move from the 'middle-income trap' (Himaz, 2019, p. 6).

Another popular conceptualization of the BRI as the framework for the demands of domestic firms takes place (Zhang, 2017; Jones & Zeng, 2019). Here, rather than the grand strategy created by the Chinese officials, the BRI is represented as a continuation of the former ‘going out’ policy set in 2000, where the very first advocates of this program were not the Chinese Communist Party (CCP) members, but some Chinese firms, especially in the energy sector (Zhang, 2017, p. 319). Jones and Zeng underline the process of fragmentation, decentralization, and internationalization of the Chinese political economy since the beginning of the reforms at the end of the 1970s. In such conditions, “top leaders do not devise detailed strategies and micro-manage outcomes; rather, they ‘steer’ diverse actors using very broad policy guidelines; in turn, these actors may influence, interpret or even ignore these guidelines” (Jones & Zeng, 2019, p. 1417). Thereby, from such an understanding, we may observe that the initiative is driven by the demand of large capital in China, rather than the demand from the central government.

Nevertheless, despite some positive estimates of the BRI (Zhou & Esteban, 2018; Liu et al., 2018), there are many concerns about the ability of China to realize the initiative in an inclusive way. For instance, China’s model of governing may lead to the unraveling of developmentalism and the rise of authoritarian neoliberalism or ‘neoliberalism with Chinese characteristics’ (Harvey, 2005, p. 120). Such a logic supposes the continuation of neoliberal practices, but under the authoritarian rule. Consequently, the ability of China to lead the globalization in an inclusive way is truly a concern among scholars as some notice: “trade brings about winners and losers and unless there is an adequate redistribution of the gains of trade within an economy it can lead to increased inequality, poverty, long-term unemployment” (Himaz, 2019, p. 9). Hence, a great flow of capital for infrastructure projects among BRI economic corridors and an increase in the trade may generate huge harm to societies, unless there are necessary institutions, which the majority of participating countries do not have.

Some scholars present even a greater concern, as Justin Van der Merwe argues that the representation of the Chinese initiative as the inclusive round of globalization is either naive or propagandistic (Van der Merwe, 2019, p. 201). A good example of how Beijing implements its policy in a colonial manner might be the case of African countries’

participation in the BRI, when “three African countries are regularly discussed as involved in BRI: Kenya because it is where the maritime route connects with Africa; Djibouti because it is where the Chinese military base is located; and Egypt because of the Suez Canal. Beyond that, it is generally difficult to know which other countries are explicitly included” (Van der Merwe, 2019, p. 211). Here, we may observe how the infrastructure projects China is implementing in some African countries contradict the idea of an inclusive infrastructure development.

Zhang (2017, p. 326) is assured that despite the official claims of China’s government about the win-win model of participation in this initiative, states involved in BRI may expect serious competition with China’s goods in their markets. In the worst cases, this cooperation with Chinese capital may limit states’ ability to further industrialization. Moreover, applying the territorialist and capitalist logic of expansion, described by Giovanni Arrighi (T-M-T’ and M-T-M’), the BRI includes both of them. On the one hand, Beijing establishes the first overseas navy logistics hub in Djibouti, the rent of Hambantota harbor in Sri Lanka, purchase or lease of the oil and gas fields and mining rights in Central Asia, Africa, and Latin America among others (Zhang, 2017, p. 322). On the other hand, these projects are aimed to ensure the economic stability and expansion of the Chinese large enterprises overseas.

Another serious challenge for the BRI is the potential of ‘debt trap’ in some countries, as it already happened with Sri Lanka in 2017 where the local government was unable to pay its debt to Chinese infrastructure state-led company and gave Hambantota harbor to China for a 99 years rent. Some specialists emphasize that at least 8 countries among BRI corridors are in danger of debt trap to China (Hurley et al., 2019). Thus, without the evasion of these risks, a new round of globalization led by Beijing will not be different from the neoliberal one.

All in all, it was important to mention the actual reasons behind the BRI. In such conditions, it appears naive to expect other forms of international practices between China and participating countries in the initiative, different to the neoliberal globalization. It is unlikely Chinese government and large capital will put the interests of the most

vulnerable social groups in these countries above their benefits, if such a dilemma is to occur. At the same time, exactly this feature was a failure of neoliberal globalization, where the benefits of this process have been distributed highly unequally. Indeed, there is no significant reason to believe China is even able to operate in a qualitatively different manner within the current international system, where neoliberal practices are strongly embedded. In this sense, the conceptualization of the BRI as a tool for inclusive globalization is premature in the best case and entirely wrong in the worst case. Rather, it fixes the peripheral position of some economies among the corridors with a metropolitan position of China. The next section of the chapter aims to analyze the practical evidence for such a pessimistic view on the example of two post-Soviet Central Asian states.

3.3. The Continuation of Core-Periphery Relations: Evidence from Central Asia

To begin with, it is crucial to underline that generally, land transportation is more expensive than transporting goods by sea. That is why, according to different estimates, more than 95 percent of the total traffic cargoes between Western Europe and Eastern Asia comes through the maritime transportation and the vast majority of them, in turn, through the Suez Canal (Bezrukov, 2018, p. 54; Erdősi, 2015, p. 109). There is no reason to believe that the situation will change in the near time: the 21st Century Maritime Silk Road will continue to be the main way of transportation between two regions. However, through the BRI China pursues not only instantaneous economic benefits, but also seeks to avoid its overdependence on maritime trade. In addition, as it was mentioned in the previous section of this chapter, an internal goal for China is to integrate its Western regions into the global economy (Sárvári & Szeidovitz, 2016, p. 9). These facts explain the importance of the SREB for Beijing.

The existence of multiple routes both by land and sea is important in terms of reducing the hold-up possibilities (Pomfret, 2019, p. 50). For this reason, China will facilitate to develop alternative corridors in the SREB to the already existing transport infrastructure through Kazakhstan and Russia for the New Eurasian Land Bridge economic corridor, as well as the China – Mongolia – Russia economic corridor (CMREC). For that purpose, China will seek to use more of the southern route, also known as the China – Central Asia

– Western Asia economic corridor (CCWAEC) and the middle corridor or the Europe – Caucasus – Asia (TRACECA), which is going through Kazakhstan, the Caspian Sea, Azerbaijan, Georgia, and the Black Sea or Turkey by land. Accordingly, Central Asian countries have important roles in the BRI.

As for transit countries, including post-Soviet Central Asian states (Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, Tajikistan), they are willing to participate in the BRI for a few reasons. In this section of the chapter, I would like to focus more on two countries – Uzbekistan and Tajikistan in order to analyze the inclusiveness of BRI projects. First of all, it is essential to highlight that these countries seek to attract more Chinese investments for building their infrastructure, primarily the transport one. Secondly, they are willing to get the maximum of benefits from tax levies in transporting goods from China to Europe through their territories. Finally, for some participants of the SREB in Asia, it is first of all, an opportunity to integrate their markets into the global one. Therefore, the BRI is the opportunity for Central Asian states to boost economic growth and to develop their regions (Bezrukov, 2018, p. 56).

No doubt, participation in BRI projects is crucial for developing economies of Central Asia. Peyrouse and Raballand claim that “for landlocked Central Asia, the Chinese economic engine brings with it the prospect of new trans-Eurasian corridors and thus seen as a unique historical opportunity” (Peyrouse & Raballand, 2015, p. 408). According to the authors, Central Asia states and China have mutual interests since China is able to provide goods at low prices – what Russia, Turkey, Iran or Europe cannot afford.

Furthermore, Central Asian countries have a problem with the transport infrastructure. According to the Rural Accessibility Index, which measures the percentage of the rural population living within 2 kilometers of an all-weather road, less than 32 percent of the Central Asia population has such access, compared to nearly 100 percent in developed countries (Fay & Rozenberg, 2019, p. 104). Moreover, among the geographical regions in the SREB, Central Asia and Caucasus are the least connected to economic activity in other countries. As for Central Asia, this is partly explained by the landlocked position of

this region and the limited shipping connectivity of the coastal countries (World Bank, 2019, p. 30).

As a result, the movement of people and goods is poorly developed in the region. Accordingly, the shipping cost of a container to the large capital centers of China or Western Europe from any post-Soviet Central Asian country, excluding Turkmenistan, is much higher than from any other country among the SREB (more than USD 5 thousand per container compared to less than USD 2 thousand from any other country) (World Bank, 2019, pp. 28-29). In such conditions, it seems unlikely that Central Asian countries will be the main transport corridors of land shipping of goods from coastal China to Western Europe without the huge investments in their transport infrastructure. At the same time, it may demonstrate that Beijing is more interested in developing the connectivity between its Western provinces and Central Asian countries. Nevertheless, the BRI might truly be a helpful framework to attract the required investments. That being said, the rest of the chapter will focus closely on the analysis of the realization of BRI projects within two Central Asian states to demonstrate its possible effects.

It shouldn't come as a surprise that Uzbekistan is especially interested in participation in the BRI. First of all, Uzbekistan represents a huge market with a population of almost 33 million citizens as of 2018 (World Bank Data, 2020). Secondly, Uzbekistan is the one out of two double-landlocked countries in the world (besides Lichtenstein). It means that to get access to the sea, people or goods should pass borders of at least two foreign states. Finally, for the year 2018 estimations, foreign direct investment in Uzbekistan was only 1.2 percent of its GDP (World Bank Data, 2020). Together these reasons generate clear motivation for the country to attract foreign investments to boost the national economy. However, before Shavkat Mirziyoyev became President of the country in 2016, Tashkent had not demonstrated a strong political will in participation in the BRI during the presidency of Islam Karimov.

The new president has already started more active cooperation with Beijing, pursuing to attract the Chinese capital to the country. During the visit of Mirziyoyev to China in May 2017, two countries signed a set of bilateral agreements with a total amount of USD 23

billion (Eurasianet, 2017). For instance, China is going to finance the project on the production of synthetic liquid fuel at Uzbekistan's largest gas refinery complex Shurtan, the modernization of around 300 water pumping stations together with the construction of Uzbek transport infrastructure such as Shymkent – Tashkent highway road, Kashgar – Andijan, and Samarkand – Mashhad (Iranian city) railroads.

Notably, Beijing is interested in developing gas transportation from Central Asian countries. In addition to already existing three pipelines, Chinese companies are facilitating the construction of the fourth pipeline. All of them are passing through the territory of Uzbekistan and provide China up to 20 percent of its annual consumption (Maitra, 2016, p. 19). Although nowadays these pipelines transfer mainly Turkmen gas, potentially with the construction of the new line China will be able to import Uzbek gas as well (Cooley, 2016, p. 5).

The fact that the successful realization of BRI projects in Uzbekistan depends on Tashkent's internal policies, such as trade liberalization and reducing trade restrictions, represents crucial importance. In such conditions, the real income gains of Uzbekistan from these projects will increase by up to 9 percent annually. Moreover, generally, all countries in the region may benefit from the reduction of border delays, where the export might increase by 18 percent (World Bank, 2019, p. 68). Furthermore, the liberalization of the economy will make Uzbekistan an attractive destination for foreign capital. Such policies will allow investors to move capital in and out of the country freely (Dadabaev, 2018, p. 757). Consequently, nowadays Mirziyoyev's administration is interested in attracting more investments from China.

The realization of SREB projects is advantageous for this double-landlocked developing country in terms of stimulating its economic growth. At the same time, Uzbekistan faces a problem regarding unequal benefits from BRI projects. Here, due to mobility constraints within-country, the population from Western regions has many fewer opportunities than in large urban centers. Indeed, workers at the periphery of the country far from the main industrial cities are expected to benefit much less from the participation in the Chinese initiative (World Bank, 2019, pp. 89-90). Such an idea contradicts one of the inclusive

globalization features as the development of infrastructures among all regions. In contrast to that, BRI projects are focused on the development of concrete territories in Uzbekistan, which are supposed to become a source of raw materials for China and a relatively big market for Chinese production.

What is more, in Central Asia and especially in the case of Uzbekistan, it is still a concern on how to bring benefits from the projects not just to governments, but also to the population. Truly, such a problem exists since nowadays projects are “capital-intensive, of limited duration” and “effects for the population are of secondary importance” (Buranelli, 2017, pp. 220-221). Finally, there are also concerns in Uzbekistan regarding free trade agreements both with its Central Asian neighbors and China. In fact, it would create conditions where Uzbek firms are not able to compete with Chinese ones, at least at the current stage of development (Buranelli, 2017, pp. 222-223). Regardless, it is not clear how the central government evaluates this situation and what steps will be made to solve this issue. The thing is, that despite some concerns among scholars and specialists within and outside of Central Asian countries, regarding the asymmetric relations with China, the local political and business elites are the most interested in BRI projects. In conditions of nowadays lack of transparency of the exact terms of Chinese loans to local governments, it is not clear how the participation in BRI projects is supposed to be based on win-win solutions (Lain, 2018, p. 10).

As for Tajikistan, it is, arguably, in the worst conditions among the post-Soviet Central Asian countries participating in the BRI. According to some researches, such countries as Azerbaijan, Mongolia, and Tajikistan through SREB projects experience welfare losses, as infrastructure costs overweight gains (De Soyres et al., 2019, p. 5). Remarkably, Tajikistan is one of the eight countries among BRI economic corridors with a high risk of a debt trap. Additionally, Dushanbe is willing to increase its debt with Beijing. For instance, it is interested in the construction of one of the Central Asia – China gas pipelines through its territory. As expected, USD 3 billion of Chinese FDI will be directed to Tajikistan for this project. However, Beijing will get the ability to pressure to Dushanbe into covering some of these costs (Hurley et al., 2019, p. 154). The serious concern of specialists is that for the year 2015 China held 88 percent of the total share of Tajikistan’s

bilateral credits (Jaborov, 2018, p. 36). The largest creditor for Tajikistan is China's Exim Bank with a loan of over USD 1 billion (Anderson, 2018).

Despite this, the Asian Infrastructure Investment Bank is currently also providing loans to Tajikistan in order to modernize the transport infrastructure connecting China, Tajikistan, and Uzbekistan. Such projects aim to facilitate "China's access to the markets of Central Asia, also stimulating the export of Chinese goods to the region" (Vakulchuk & Overland, 2018, p. 123). Thereby, this lack of diversification of investment sources provides China with some leverage of pressure over Tajikistan. Furthermore, there was already such an incident in bilateral relations, when in 2011 China agreed to write off some unknown amount of Tajikistan's debt in exchange for 1,158 square kilometers of disputed territory (Hurley et al., 2019, p. 155). At the same time, there are concerns in Tajikistan that China will establish its claim for other disputed lands, which are rich with gold and other precious metals and minerals (Vakulchuk & Overland, 2018, p. 124).

It is equally important that Tajikistan has huge water resources reserves. In addition to the access to oil, gas, and mineral resources of Central Asia, through BRI projects in Central Asia, China is also interested in this type of resource (Duarte, 2018, p. 16). Accordingly, nowadays Beijing becomes an active actor in hydropower disputes in Central Asia, constructing hydroelectric power plants and high-voltage lines. Although it does not pursue to provide electricity to its coastal provinces, the energy securitization of Xinjiang is within the agenda. Regarding this issue, Dushanbe express concerns about the possible Chinese monopolization of techniques and tools in the energy sphere, which could lead to the dependent position of Tajikistan in the future (Duarte, 2018, p. 19).

Other natural resources in Tajikistan are also in the focus of Beijing. Proof being the Chinese Tibet Huayu Mining Corporation in cooperation with Tajik TALCO is going to develop the Konchoch deposits in Tajikistan. Besides gold, they are interested in antimony and antimony oxide production (Reuters, 2019). Moreover, in 2018 Chinese enterprise TBEA was allowed to develop the Upper Kumarg gold mine in Tajikistan in exchange for the construction of a new power plant in Dushanbe (Van der Kley, 2018).

Other projects are an upgrade of Dushanbe – Kolkhozabad rail and construction of Kashgar – Dushanbe railroad.

It is crucial to realize that both Uzbekistan and Tajikistan actively participate in BRI projects and attract Chinese investments and loans in conditions of a lack of alternative financial sources. Additionally, the non-transparent character of Uzbek and Tajik governments create such situations, as with disputed territories between Tajikistan and China. Due to unclear conditions of granting loans from Chinese state-owned banks, local elites are benefiting from the projects without consideration of advantages for the general population.

To conclude, the reduction of trade costs, as a consequence of transport infrastructure construction among BRI economic corridors, may trigger aggregate welfare gains in Uzbekistan. At the same time, these effects will also lead to rising economic and spatial inequalities (World Bank, 2019, p. 87). As for Tajikistan, participation in BRI projects will not lead to welfare gains. It is fair to say about both countries, that local political and business elites are the main winners from the projects. Furthermore, the set of policies proposed to participating countries in the Chinese initiative and particularly Central Asian countries is highly oriented to create favorable conditions for the foreign large capital with a reduction of trade barriers and the free movement of investments.

As a matter of fact, the general advice, as in the Washington Consensus, is to reduce trade restrictions, to liberalize investment flow, to assure private property rights among others. Such a scenario will inevitably eliminate the ability of Central Asian firms to compete with Chinese ones in the production of high-value goods. The World Bank specialists underline this problem. However, according to them, the liberalization of SREB economies will also provide these countries access to the Chinese market (World Bank, 2019, p. 88). Although this might be true, these countries will be able only to concentrate on the export of low-value goods without any future possibility to develop their own technological production.

Undoubtedly, the BRI is an opportunity for countries isolated from the previous round of globalization. Nevertheless, the current scenario has nothing in common with so-called inclusive globalization. Indeed, we may observe that in Central Asia the BRI does not suppose the inclusive development of all regions. Rather, the projects mostly are focused on building certain transportation and the development of natural resources infrastructures. In addition, the benefits of these projects will not be spread within societies, but could lead to rising inequality. Besides, the liberalization policies in these countries might undermine the political-economic power of the state. Thus, in the long run, it will restrict states in their ability to maneuver in domestic policies. Finally, the non-transparent conditions of Uzbek and Tajik elites with China create concerns about future asymmetric relations.

3.4. Concluding Remarks

In this chapter, I have discussed the ability of the BRI to operate in an inclusive way in contrast to neoliberal globalization of the last decades on the example of two Central Asian countries – Uzbekistan and Tajikistan. The results demonstrate to us that despite some positive features of the neoliberal globalization, it was criticized for the unfair distribution of benefits, strengthening the power of transnational capital, and maintaining of the core-periphery hierarchy within the world-system. Consequently, the request for alternative inclusive political-economic practices occurred. Some scholars, as well as Chinese officials, claimed that the BRI represents a way of continuing the globalization process based on inclusive features, such as the effective regulatory role of the state, inclusive infrastructure development, the ability to choose best practices for each country, and cooperation among countries for mutual benefits. This chapter aimed to argue against such an understanding of the Chinese initiative.

This chapter has focused on the cases of two post-Soviet Central Asian states – Uzbekistan and Tajikistan. Undoubtedly, the participation in BRI projects for them could be an opportunity within conditions of a lack of alternative stimulations for the development of their economies. Simultaneously, the current conditions demonstrate to us that the benefits of projects are not spread among the whole population in these countries. The basic argument of this chapter is that practices China provides for other

countries are not inclusive. Rather, the liberalization of their economies fixes the role of these countries as sources of raw materials and exporters of low value-added production to China. Accordingly, from the world-system perspective and its concept of the core-periphery hierarchy within the global division of labor, the BRI strengthens existing international institutions.



CONCLUSIONS

The domination of state-centric approaches in International Relations over the analysis of the phenomenon of rising powers creates the problem for the discipline. Indeed, they neglect how states have changed under the process of globalization and treat them as unitary actors. Meanwhile, neo-Marxist approaches emphasize the heterogeneity of interests within countries. Therefore, the analysis of the state-society complexes, rather than states alone, together with deep consideration of domestic dynamics, power of ideas, international organizations and characteristics of nowadays capitalism truly provides a useful conceptualization of emerging powers phenomenon.

This thesis has attempted to contribute to the debate over the question *does or to what extent China challenges existing international political-economic institutions?* Throughout the chapters, it has elaborated a few arguments over this issue. First of all, as the second chapter demonstrates, the internal direction of the political economy in China falls into line with the principles of the neoliberal order. The ruling party and gradually consolidating capitalist class not sought out to establish its own world hegemony or to offer an ideological transformation of the current global institutions. Contrarily, it has gradually followed the logic of economic liberalization, undoubtedly with some local specifics. As a consequence, this case does not represent some alternative model of development for other countries.

Secondly, as it was outlined through the thesis, the world-system perspective demonstrates the exploitative nature of relations within the international world order. The findings of the third chapter offer the argument that China's Belt and Road Initiative aims to continue this type of relations among societies, rather than transform it. In such conditions, the answer to the question *does China offer an 'inclusive' way of globalization to other developing countries* is no. In fact, this initiative continues the neoliberal globalization of the last decades with a new center of capital accumulation in China. However, such a center of accumulation within the world-system might be not the only one. Thus, the question remains – can dominant and emerging powers be centers of capital accumulation at the same time? Can the future model of the world-system operate in a

manner of 'G2' where "China retains a relatively autonomous trajectory, partially adapting to the rules of the game of the liberal order, but at the same time holding on to distinctive aspects of its state-society model and foreign policy orientation"? (De Graaff & Van Apeldoorn, 2018, p. 115). I believe this could be one of the questions for future research.

Limitations and Future Research

It is essential to underline that this work focused entirely on the economic aspect of the neoliberal world hegemony analyzing the potential counter-hegemonic challenge China may represent. Yet, in this thesis, the discussion over the Chinese political model, which is an alternative to Western liberal democracy, is not well developed. In the 'age of hybridity' the Chinese authoritarian capitalism model (Öniş & Kutlay, 2020, p. 9) indeed presents the political challenge to the liberal order. In these terms, there is a path towards less democratic and less liberal political institutions with a space for a maneuver in the development, a loosely-coupled global regime's experimentation (Babb & Chorev, 2016). Moreover, since the growing capitalist class in China does not demand the political change in the country (Beeson, 2017, p. 183), it only strengthens the expectation that the success story of capitalist development under authoritarian control will remain as a model for other countries. Hence, China seems to keep its 'state-permeated market economy' variety of capitalism (Nölke, 2012, p. 124) at least in the foreseeable future, if it will correspond with the capitalist class' interests.

The dynamics of class relations within China might be another limitation of this thesis. Undoubtedly, the diversity of the classes and their interests in China exists, and this issue could be elaborated in-depth throughout this work. At the same time, this thesis emphasizes, arguably, the most important internal class dynamic such as the consolidation of the capitalist class, which has strong connections with the Chinese Communist Party. Hence, the upcoming domestic developments of these relations will have vital importance for the future of both the Chinese and global political economy.

Another point I would like to highlight is that in countries where the state once played a key role in development and modernization, we may observe a gradual movement

towards laissez-faire policies. Here, successful companies begin to demand to reduce the protective role of the state in order to eliminate the limits for their expansion (Van der Pijl, 2006, p. 46). This is undoubtedly similar to Wallerstein's argument that the local capital of a developing state at some point finds protectionist policies, constraining although once, the government created them for the same capitalists' demand (Wallerstein, 1974b, p. 402).

That is why, as China develops and modernizes, it also climbs in the world-system hierarchy. As some industries are being developed and become able to compete on the global market, the political economy of China changes and follows a similar model of development the first industrialized countries had passed before. It is a common mistake to claim that such countries as, for example, the UK and the USA successfully developed through the implementation of laissez-faire policies. Rather, these countries realized the importance of infant industries' development through state intervention. On this issue, Ha-Joon Chang perfectly emphasizes that "the current policy orthodoxy does amount to 'kicking away the ladder'. Infant industry promotion...has been the key to the development of most nations, and the exceptions have been limited to small countries...preventing the developing countries from adopting these policies constitutes a serious constraint on their capacity to generate economic development" (Chang, 2002, p. 10). This is exactly what Britain did when it was the first country to industrialize. At some point, Britain found itself in "a position to exploit its comparative advantage through the promotion of free trade with those areas that simply could not compete. But where Britain did not have a comparative advantage it threw away its laissez-faire ideology and instead resorted to high tariffs to defend domestic producers" (Breslin, 2011, p. 1334). The Chinese Communist Party clearly realizes such a tendency and aims to commit to free-market institutions in perspective when Chinese capital will own the position on the top of the world-system. Therefore, even if the state intervention into economic affairs will remain in China, such a state-leading role is expected to reflect the ordoliberal logic of ensuring free-market efficiency.

Nonetheless, how such a change in the demand from local capital occurs generally and, in particular, in China? This process takes place as a result of both the successful

developments of some industries and the internationalization of domestic capitalists. Arguably, the processes of globalization and transnationalization affect the elements of a society unequally. Hence, policymakers from the most internationalized parts of states, such as the finance sector are the most prone to interact with the international historical bloc. Notably, as the discipline of transnational capital over society establishes, key policymakers in economic matters become linked to transnational class (Budd, 2013, p. 69). Thereby, we observe the interactions of the globalizing elites, “political leaders and organic intellectuals associated with the internationally oriented fractions of capital (and some elements of privileged organized labor) and linked to the dominant public and private institutions of an embryonic global political and civil society” (Gill, 2008, p. 178). I believe nowadays this is the model of interaction between the elites of the developing country and transnational historical bloc, and some scholars highlight that such an interaction exists among the China-US elites’ (De Graaff & Van Apeldoorn, 2018, p. 120; De Graaff, 2019, p. 3; Huo & Parmar, 2019, p. 18). It is highly important to realize how these interactions occur, how they affect the domestic dynamics of political economy, and what implications for the international order these interactions have. Unfortunately, due to the limited scope of this work, it was not able to address this issue. Nevertheless, I hope to elaborate on the discussion on these questions in the future. In addition, further analysis may include investigation regarding other emerging powers. Finally, future research might apply different methodologies, including quantitative methods in order to answer these questions of a similar matter. The case selection of this work had an illustrative character, whereas to strengthen the main claims it could analyze, for instance, the most-likely cases in the empirical part.

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