

**China as a “Quasi-Center” in the World Economic System—Developing a New “Center–Quasi-center–Semi-periphery–Periphery” Theory**

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# China as a “Quasi-Center” in the World Economic System—Developing a New “Center–Quasi-center–Semi-periphery–Periphery” Theory

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## ABSTRACT

Based on the “center-periphery” and “center–semi-periphery–periphery” theories, as well as on analysis of data related to China’s GDP; foreign trade; finance; foreign investment and aid; comprehensive competitiveness; the Belt and Road Initiative and so forth, this article explains that while a gap still exists between China and the major countries at the center of the world economic system, China’s tremendous growth obviously distinguishes it from the countries of the periphery or “semi-periphery.” If we are to present an objective description and definition of China’s status and role in the world economic system since 2012, we must therefore adopt the concept of a “quasi-center.” This innovation supplements the dichotomy involved in the “center-periphery” theory, and requires the formulation of a new theory with a three-tier structure of “center–quasi-center–periphery,” or even a four tier structure of “center–quasi-center–semi-periphery–periphery.”

## KEYWORDS

World economic system, center-periphery theory, quasi-center theory, development of political economy

## 1. Introduction

In the context of deepening economic globalization, China is gradually becoming stronger and more prosperous. Its influence in the world economic system is growing exponentially, and in academia, this has focused a great deal of attention and discussion on the current status of China’s development and on future trends within it. The main issues under discussion are the following: how should China’s role or position in world economic development be defined and measured? How should the country’s role and influence be evaluated? What are the challenges that China faces in the world economic system? How can China engage in win-win cooperation with other countries through the Belt and Road Initiative? In the literature of political economy, the “center-periphery” theory, which expounds on the capitalist economic system and elaborates on the status of and relations between different countries involved in the process of development, has had a far-reaching impact. However, it is doubtful whether a theory first advanced by Raul Prebisch in the 1940s and further elaborated by Andre Gunder Frank, Paul Baran, Samir Amin and Immanuel Wallerstein in the latter half of the last century can fully explain China’s current development status. According to the “center-periphery” theory, the center and the periphery exist in a solidified hierarchical relationship (Wallerstein 1996, 98), and the sudden rise within the capitalist world system of China as a “peripheral country” and a socialist country is obviously unexpected. Even though Wallerstein developed this theory into an analytical model with a three-tiered “center–semi-periphery–periphery” structure, he failed to anticipate China’s current development status. Although he acknowledged that semi-peripheral countries are potentially able to

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rise to the center or sink to the periphery, he claimed further that the “catch-up” development model that aims to make semi-peripheral countries part of the center should not be encouraged, and that the countries of the periphery should seek to develop their economies through “de-linking” from the world system (Wallerstein 1986, 264). This argument is not convincing. If the large gap between the periphery and the center requires the countries of the semi-periphery and periphery to accumulate strength and capital through economic development and to prepare for resistance, these countries certainly cannot avoid the “catch-up” mode of development as a springboard for increasing their own per capita income (Dougherty and Pfaltzgraff Jr. 2013, 485). Consequently, this paper argues that the peripheral countries should vigorously develop their economies and achieve a high degree of industrialization and modernization; gradually overcome their economic dependency on the countries of the center; pursue scientific development that effectively combines economic independence and international collaboration; and actively promote just and rational governance of the world system.

This paper will first review and evaluate the “center-periphery” theory, arguing that this analytical tool is insufficient to explain China’s current development and therefore needs to be improved. Empirical research shows that China at its current stage of development should be redefined as a “quasi-center,” that is, as a country neither at the periphery nor part of the center. Second, on the basis of Andre Gunder Frank’s (2008) index from *ReORIENT: The Global Economy in the Asian Age*, this paper examines some of the main indicators so as to compare the development of China with that of the advanced G7 countries. In so doing, it seeks to explain that the new concept of a “quasi center” is now necessary to define China’s status and influence in the world economic system. The paper concludes with a possible timeline and main strategies for China’s transition from “quasi center” to center.

## **2. The “Center-Periphery” Theory**

The “center-periphery” theory, proposed by Raul Prebisch in the late 1940s, explains how capitalism as a global economic system maintains its division of labor and carries on its operations. Prebisch observed that within the capitalist system, the world division of labor reflected the global economic structures. That is to say, some countries came to act as the economic and industrial center, because the advantages they possessed of capital ownership and technical prowess had allowed them to create highly diverse economies. Meanwhile, other countries were assigned the role of the periphery within the world economy, as their technological backwardness and dependency on external investment led to the rise of economic structures featuring the coexistence of sectors with backward technologies and low productivity on the one hand, and of sectors with modern technologies and high productivity on the other. Relying solely on the export of primary products and natural resources, and importing manufactured goods, the peripheral countries were dominated and heavily exploited by the countries of the center (Prebisch and Periferico 1990, 203). The binary categorization implicit in the “center-periphery” theory employs the concept of “comparative advantage” among its tools, and its goal is to reveal the tremendous inequality and imbalance between the countries of the center and periphery, as well as the pervasive exploitation and dispossession of the peripheral countries by those of the center.

In the 1960s and 1970s scholars such as Paul Baran, Samir Amin, Andre Gunder Frank and Theotônio dos Santos criticized the global expansion of capital on the basis of the “center-periphery” theory, pointing out that this expansion lay at the heart of the irrationality and imbalance of the existing international economic order. Their main argument was that the peripheral countries, lacking in capital and key technologies, had no choice but to rely on exports of raw materials and energy sources in their

trade with the countries of the center. Always dependent on the central countries, the countries of the periphery were bound to be dominated and exploited by them. According to Samir Amin, for example, the peripheral countries are characterized by capitalist sectors that were introduced initially from outside, and that have developed forms that rely heavily on foreign markets. They are therefore economically subordinate to the reproduction of the sectors in central countries, with their capital accumulation also dependent upon the center. In addition, dependency figures in the accumulation of peripheral capital, which seeks desperately for foreign investment (Amin 1990, 11). For Andre Gunder Frank, the process of capital accumulation has played a major role in the world system for thousands of years; he therefore believes that the development of the periphery takes place within the current economic, political and social structure, and for that reason is necessarily limited and less advanced (Frank 1984, 146).

In the 1970s and 1980s Immanuel Wallerstein formulated his world system theory, that postulates a “center–semi-periphery–periphery” pattern of development. That is, the world economy is divided into central countries, peripheral regions, and between the two, the semi-periphery that historically was either central or peripheral and was crucial to the world economic structure. Wallerstein further claims that the worldwide transfer of capital enables the central countries to obtain considerable surplus value on the basis of the exploitation and dispossession of labor in the peripheral areas. To change this situation, the peripheral countries need either to overthrow the system or to seek to rise from the periphery to the center within the system (Wallerstein 1996, 102–103). This view represents a supplement to and development of the “center-periphery” theory, that is, a detailed analysis of the fixed binary structure, with the understanding that countries do not occupy central or peripheral positions indefinitely, and that there are always dynamics of ascent or descent. In emphasizing that there is only one world system, however, Wallerstein ignores the birth and rise of socialist countries, failing to recognize the possibility of breaking free of the capitalist system. As Amin (2011) indicates, the operative mechanism of the “center-periphery” structure accepts capitalism as the first unified global system, while the binary “center-periphery” structure seriously distorts reality, ignoring the diverse choices of development path that are available. In essence, the “center-periphery” concept propagates a Eurocentric ideology, while the existence of different variables requires multi-polarization (Amin 2011, 12). Amin also argues that Wallerstein’s three-tier system is even worse than the bipolar center-periphery structure, since it merely conceals and transfers the direct exploitation and plunder of the peripheral countries by those at the center (Amin 2003, 74), though scholars like Aleksandr Buzgalin feel that the concept of the “semi-periphery” is still a useful one.<sup>1</sup>

Rubén González-Vicente puts forward the concept of “manufacturing center” to define the current development of China. He believes that China should be defined as a “manufacturing center country” that still lacks major technological advantages and relies heavily on labour-intensive exports. He points out that the classification of “peripheral country” is insufficient to define China's role in the world economy. The reason for this is that China’s investment in scientific research and technology in recent years has also contributed to the country’s rapid economic growth, and that its outbound investment and cooperation have further enhanced its economic position. For example, China has played a significant role, exceeding that of the West, in the development of infrastructure in Africa and South America (González-Vicente 2011). Gallagher makes a detailed statistical analysis of China’s impact, and points out that between 2003 and 2013 Chinese investment in Latin America led to GDP growth of

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<sup>1</sup> The Russian scholar Aleksandr Buzgalin recently maintained to Cheng Enfu, one of the authors of this article, that Russia at present is a “semi-peripheral” or “semi-dependent” country.

3.6% and per capita growth of 2.4%, while in the previous 20 years under the Washington consensus the growth of these two indices was 2.4% and 0.5% respectively (Gallagher 2016, 19).

In its *World Economic Outlook*, the International Monetary Fund (IMF) divides different countries into developed economies, emerging markets and developing economies. Based on this classification,<sup>1</sup> it identifies China as an emerging market. In its analysis of economic growth in emerging markets and developing economies, the IMF further divides them into another three categories: bulk-stock exporting countries; non-bulk-stock exporting emerging markets and developing economies excluding China; and China.<sup>2</sup> The reason for keeping China's statistics separate is simply that they stand out in comparison with those of other countries. From this perspective, the simple definition of China as an emerging market in a sense underestimates the influence of its vast economy. In fact, as Puri (2010) emphasized in a World Bank report, China is now the engine of global economic development. Both objective reality and a theoretical approach thus confirm the comment of Fernando Henrique Cardoso that the shortcoming of the "center-periphery" theory lies in the fact that the binary structure fails to explain the contemporary structural deviations and variables (Cardoso 1982, 112–127). Radhika Desai further points out that "The capitalist economic system is highly hierarchical, the world market unified by capitalist globalization is a market that needs hegemony and dominant forces," and that "the emerging multi-polar forces are the decisive force in establishing a new world order" (Desai 2013, 33).

Chinese scholars have also performed research on China's role in the world economic system, but have not managed an accurate interpretation of its development stage and level. Zhang and Tian (2010) state that as one of eleven emerging economies, China plays an important role in the world economic system, and this is absolutely true. However, they are insufficiently clear on how this role should be described, and on how it should be distinguished from those of other emerging countries. Wang and Ma (2014) propose a two-cycle structure of the world economic system, with the first cycle involving developed countries and emerging economies. Based on the global industrial value chain, a close economic cycle is formed through vertical direct international investment, intra-industry trade and intra-product trade. The second cycle involves rising powers like China leading other developing countries in international investment and industrial transfer. The problem with this view is that the second cycle raises the suspicion that China is copying the first cycle, the original "center-periphery" model, with a view to becoming a dominant power in Latin American and African countries and initiating unequal exchange and dispossession. This is definitely not the case; China's development and foreign trade follow the principles of mutual respect and shared benefit. It is true that China needs natural resources from other developing countries to create favorable conditions for its own growth, but it has not seized natural resources and primary products from these countries at low or even dirt-cheap prices as the Western countries at the center were long accustomed to doing. On the contrary, China's urgent and large-scale need for raw materials has driven up market prices, bringing these countries immense benefits (Gallagher 2016, 19). Moreover, given that China's investment is never subject to political conditions, and that China does not transfer financial crises through borrowing (Gallagher 2016, 18), this cooperation cannot be categorized as a "second cycle." In addition, the two-cycle model seems to take no account of the direct relationships that exist between Western countries of the center

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<sup>1</sup> IMF. "World Economic Outlook, April 2016," p. 150. [In Chinese.] Accessed January 8, 2020. <http://www.imf.org/zh/Publications/WEO>.

<sup>2</sup> IMF. "World Economic Outlook, April 2017," p. 12. [In Chinese.] Accessed January 8, 2020. <http://www.imf.org/zh/Publications/WEO>.

and peripheral countries in Latin America or Africa, leaving a disjunction between the two cycles. In this respect, the reality obviously calls for further analysis.

In sum, the “center-periphery” and “center–semi-periphery–periphery” theories reveal the developmental characteristics of the modern capitalist world system to a certain degree, and also inspire developing countries to rid themselves of their peripheral, dependent or marginal status. However, the two- or three-tiered hierarchical description fails to dynamically define and interpret the important role played by rising countries such as China. The traditional, historical capitalist world system has not come to an end, but in the context of deepening economic globalization, the comprehensive advantages of the center have narrowed in relative terms, while those of emerging countries such as China have expanded. As a consequence, the “center-periphery” and “center–semi-periphery–periphery” structure of the world economy is experiencing a transformation unprecedented in the past century. In this sense, since the established theoretical studies are insufficient to define accurately the role played by the new-era China in the contemporary world system, there is an urgent need to create a new concept that will allow a precise description. The concept of the “quasi-center” may serve this purpose.

### 3. China’s Role as a Quasi-Center in the World Economic System and Its Influence

As Andre Gunder Frank points out in his book *ReORIENT: Global economy in the Asian Age*, Europe has never been at the center of the world. Instead, it is Asian countries such as China and India that historically have held the central position in world economic development. Frank compares the role played by Europe and Asia in the world economy using quantitative indicators such as population, productivity and trade, and qualitative indicators such as science and technology, along with mechanical devices (Frank 2008, 157). In light of Frank’s work, we are able to recreate a number of important metrics for comparing China’s economic growth and influence with those of the developed countries of the Group of Seven (G7). The purpose is to demonstrate the need to define China’s status and influence in the contemporary world economic system using the new concept of quasi-center.

#### (1) The Influence of China’s Economic Aggregate in the World System

The national economic aggregate of a country is an important expression of its level of productivity. The country’s influence within the world economy is mainly reflected via three aspects: first, its economic growth rate; second, the share of its GDP in total world product; and third, the country’s contribution to global economic growth. According to the forecast of global economic growth rates that appeared in the *World Economic Outlook* issued by the IMF in 2018, China’s expected average economic growth rate of 6.6% is significantly higher than that of the United States and other G7 countries (see table 1). World Bank data indicate that China’s GDP, calculated at current exchange rates, was far larger in 2017 than those of all G7 countries apart from the United States (see table 2), and that China has become an important contributor to world economic growth (see figure 1). In terms of GDP calculated at purchasing power parity, China surpassed the United States in 2018 and became the world’s largest pole of economic growth (see table 3).

Table 1. Economic growth rate forecasts according to the International Monetary Fund (IMF) (%)

Country	2017	2018	2019
United States	2.3	2.9	2.7

Germany	2.5	2.5	2.0
France	1.8	2.1	2.0
Italy	1.5	1.5	1.1
Japan	1.7	1.2	0.9
UK	1.8	1.6	1.5
Canada	3.0	2.1	2.0
China	6.9	6.6	6.4

Source: IMF. “World Economic Outlook, April 2018.”  
<http://www.imf.org/zh/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018>.

Table 2. GDP (in US dollars at current market exchange rates) and population. World Bank statistics

Country/ Region	1960		2017 年	
	GDP (billion USD)	Population (millions)	GDP (billion USD)	Population (millions)
China	59,716.47	667.07	12,237,700.48	138.64
United States	543,300.00	18.07	19,390,604.00	32.57
Japan	44,307.34	9.250057	4,872,136.95	12.68
Germany			3,677,439.13	
UK	72,328.05		2,622,433.96	
France	62,651.47		2,582,501.31	
Italy	40,385.29		1,934,797.94	
Canada	41,093.45		1,653,042.80	
European Union	359,029.38	409,498.46	17,277,697.66	51.25
Latin America and the Caribbean	81,167.71	220,434.66	5,954,671.13	64.41
World	1,366,594.75	303.22	80,683,787.44	753.04

Source: World Bank national accounts data, and OECD national accounts data files, GDP (current US\$)—China: <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN>; World Bank, Population, total: <https://data.worldbank.org/indicator/SP.POP.TOTL>.

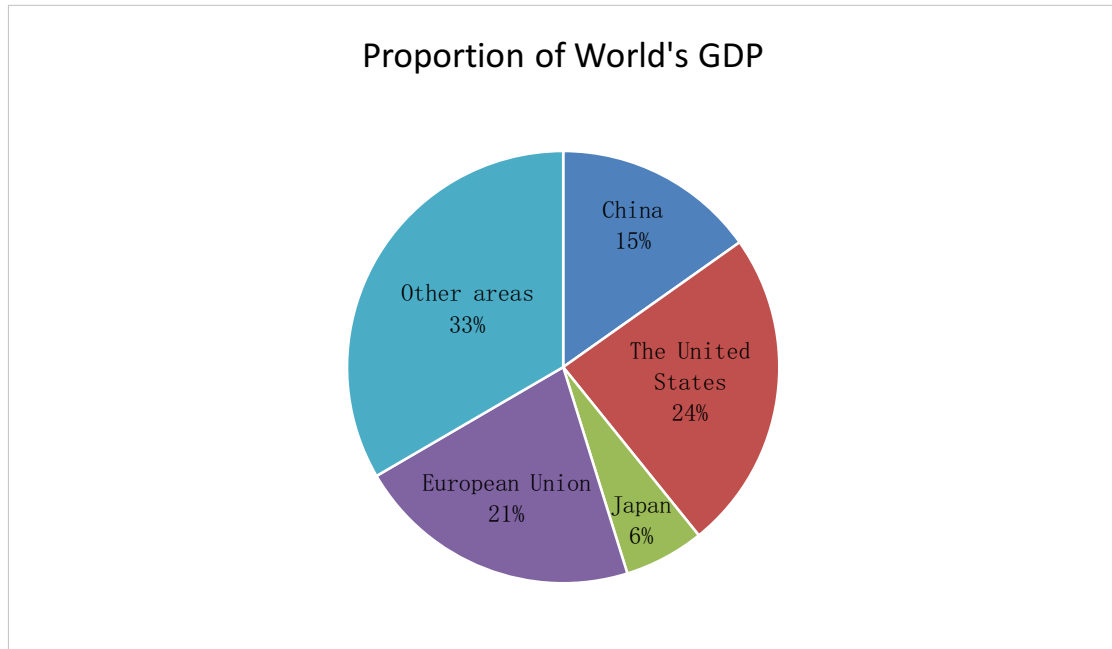
Table3. GDP rankings of G7 member countries and China, 2018 (PPP based)

Country	GDP (international dollars)	World Ranking
China	25,361,744	1
U.S.	20,494,100	2
Japan	5,414,680	4
Germany	4,456,149	5
France	3,037,362	9
UK	3,024,525	10

Italy	2,515,781	11
Canada	1,782,786	17

Source: World Bank national accounts data, and OECD national accounts data files, GDP (current US\$)—China.  
<https://datacatalog.worldbank.org/dataset/gdp-ranking-ppp-based>.

Figure 1. World GDP: Contribution of Major Economies



Source: World Bank national accounts data, and OECD national accounts data files, GDP (current US\$)—China.  
<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=CN>.

It should be noted that the role of China’s economy in the world system should not be defined on the basis of the country’s per capita GDP. As Steve Barnett of the IMF’s Asia Pacific Division pointed out in 2014, the overall size of China’s economy is very important, and the country’s contribution to global demand is destined to increase. For exporting countries, China’s rapidly expanding market will be an important source of future clients. Moreover, China’s average contribution to global economic growth rates will actually rise slightly, adding an extra 1.1% to the growth figure for 2015-2019, compared to 1% in 2003-2007.<sup>1</sup> According to the IMF, China in the years between 2013 and 2018 accounted for 28% of all economic growth worldwide, more than twice the share of the United States.<sup>2</sup>

In addition to economic scale, population is also an important indicator of a country’s economic impact. Here, our attention needs to turn to the positive correlation between total population and economic size. Frank notes this relationship, arguing that “Asia’s high population growth can only be supported by its growing productivity” (Frank 2008, 160)... Asia, with two-thirds of the world’s population, produces four-fifths of the world’s output, while Europe, with a fifth of the world’s population, produces only a fraction of the rest and the remaining is the contribution of Africans and Americans. In this sense, the average productivity in Asia in 1750 was much higher than in Europe”

<sup>1</sup> Barnett, S. 2014. “China: The Scale is Significant.” [In Chinese.] Accessed January 8, 2020. <http://www.imf.org/external/chinese/np/blog/2014/032614c.pdf>.

<sup>2</sup> <https://www.reuters.com/article/us-economy-global-kemp-column/china-has-replaced-u-s-as-locomotive-of-global-economy-kemp-idUSKBN1XF211>.



(Frank 2008, 162). The data for population and GDP growth in contemporary China and the world may be seen as endorsing Frank's point. According to World Bank statistics on GDP and population, China's population grew by about 108 per cent between 1960 and 2017 (see table 2), but the country's GDP (measured in US dollars at current exchange rates) increased by 203.9 times. During the same period, the US population increased by 80 per cent, and GDP by 34.69 times. The population of the European Union rose by 25 per cent, while GDP grew by 47.12 times. Latin America and the Caribbean saw an 89 per cent increase in population and a 72.36-fold increase in GDP. This demonstrates that although the population of China is much larger than that of other countries and regions apart from India, the rapid GDP growth created by China's additional population is also much higher than that produced by the population increment in other countries.

Meanwhile, it can also be seen that China's GDP growth is effectively supporting the growth of its population, and vice versa. Specifically, China's population in 1960 made up 20.19% of the world's population, while its GDP was only 4.4% of gross world product. In 2017, by contrast, China had 18.4% of the world's population and its GDP was 15.2% of gross world product. This is clear evidence of the tremendous improvement in China's per capita productivity. China's rapid economic growth has also facilitated the development of other countries, especially after the financial crisis in 2008, when the economic stagnation in the US dragged down economic development in many other parts of the world. By contrast, China successfully withstood the pressure. Not only has it achieved further economic growth, but more important, it has also provided impetus to many other countries including those in the "one belt, one road" initiative.

In short, the important role being played by China's economic growth is an expression of the great impact on the world of China's increased productivity. In this respect, China has no less weight than the countries of the center.

## **(2) The Influence on the World System of China's Outward Foreign Direct Investment and Foreign Aid**

China's Outward Foreign Direct Investment (OFDI) has been increasing significantly, injecting positive dynamics into the development of the world economy. According to the "Statistical Bulletin of China's Outward Foreign Direct Investment," issued jointly by the Ministry of Commerce, the National Bureau of Statistics and the State Administration of Foreign Exchange, China's OFDI rose from \$100 billion in 2013 to \$143.04 billion in 2018; from being the world's third-largest foreign investor, China became the second-largest.<sup>1</sup> In cumulative terms, China's OFDI stock at the end of 2018 stood at \$1.98 trillion, having risen from 25th place in the world in 2002 to third, with a total exceeded only by those of the United States and the Netherlands. The share of China in global Foreign Direct Investment (FDI) continues to grow, with the country now accounting for more than 10% of global flows for three consecutive years.<sup>2</sup> China's OFDI continues to provide vigorous infusions of growth to the countries and regions where it has been invested, and to the global economy as well. In a 2018 analysis of

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<sup>1</sup> "Statistical Bulletin of China's Outward Foreign Direct Investment in 2018." [In Chinese.] Accessed January 8, 2020. [http://www.gov.cn/xinwen/2019-09/13/content\\_5429649.htm](http://www.gov.cn/xinwen/2019-09/13/content_5429649.htm).

<sup>2</sup> The Ministry of Commerce of the People's Republic of China. "Report on the Development of China's Outward Investment and Economic Cooperation 2017." [In Chinese.] Accessed January 8, 2020. <http://fec.mofcom.gov.cn/article/tzhzcj/tzhz/upload/zgdwtzhzfzbg2017.pdf>; "Statistical Bulletin of China's Outward Foreign Direct Investment in 2016." [In Chinese.] Accessed January 8, 2020. [http://www.fdi.gov.cn/1800000121\\_33\\_9229\\_0\\_7.html](http://www.fdi.gov.cn/1800000121_33_9229_0_7.html); "Statistical Bulletin of China's Outward Foreign Direct Investment in 2013." [In Chinese.] Accessed January 8, 2020. [http://www.fdi.gov.cn/1800000121\\_33\\_4266\\_0\\_7.html](http://www.fdi.gov.cn/1800000121_33_4266_0_7.html).

international debt, the World Bank pointed out that the BRICS countries in 2016 promised to double their bilateral loans to low-income countries, to a total of \$84 billion. The corridor of international economic integration constructed with Chinese assistance under the Belt and Road Initiative is the best-known project, with an impact on more than 60 countries in multiple regions.<sup>1</sup> During the economic downturn in Latin America the United States repatriated much of its investment from the region, but China's total investment in Latin America has grown continuously, reaching \$29.8 billion in non-monetary direct investment in 2016. China is the third-largest source of investment in Latin America, and the quality of its investment is improving, with a shift from traditional resource-related development to finance, manufacturing, the information industry, e-commerce and the service industry.<sup>2</sup> The result has been an immense boost to local economic development.

China's OFDI covers both underdeveloped peripheral countries and developed central countries. China's investment in Africa is especially notable. As Ding and Chai explain, "There are 60 countries on the African continent. By the end of 2017, China had invested in 52 countries [or territories] except for the Canary Islands, Sebtai, Réunion, Somalia, Melilla, Swaziland, Mayotte and Western Sahara, with an investment coverage rate of 86.7%. In both its amount and scope, China's expansion of investment in Africa has furthered the comprehensive and balanced economic development of African countries" (Ding and Chai 2019). Chinese direct investment in developed economies in North America and Europe tripled to a record \$94 billion in 2016, according to an investment report released by law firm Baker & McKenzie. To be specific, \$48 billion was invested in North America, rising by 189% from the previous year, and \$46 billion in Europe, increasing by 90%. As the report states, the major part of the investment in 2016 was from Chinese private companies, which were responsible for more than 70% of the total transactions, and their investment mainly went into real estate, hotels, transportation, public utilities, infrastructure, consumer goods and services, and the entertainment industry.<sup>3</sup> Meanwhile, the investment priority of China's state-owned enterprises has shifted from purely financial investment to the real economy. In the case of Chinese investment in Europe, nearly 70% is now flowing into information and communications technologies, transportation, public utilities, infrastructure, and the manufacturing of industrial machinery.<sup>4</sup> China's OFDI has clearly aided the development of the host countries, and consequently created more opportunities for the global economy. In this regard, the impact of China's OFDI has been far-reaching.

The fact that China's foreign aid opens up valuable opportunities for the development of the recipient countries reflects the principles on which it is based. First, China's foreign aid comes with no political strings attached, and with no interference in the internal affairs of the recipient countries. The right of the recipient countries to choose their development path independently is fully respected, and in this respect China's aid is quite different from the Official Development Assistance (ODA) supplied by the US. The aid provided to Latin America may be taken as an example. When the United States and various international financial institutions provided assistance to Latin American countries after the outbreak of the debt crisis, these countries were required to undertake neoliberal reforms as a condition for receiving loans (Huang 2011). In offering non-humanitarian assistance, the US government also

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<sup>1</sup> World Bank Blogs. "International Debt Statistics 2018 Show BRICs Doubled Bilateral Lending Commitments to Low-Income Countries in 2016 to \$84 Billion." Accessed January 8, 2020. <https://blogs.worldbank.org/opendata/2018-edition-international-debt-statistics-out>.

<sup>2</sup> People.cn. "Financial Observation: China's Investment in Latin America is being Improved and Upgraded." [In Chinese.] Accessed January 8, 2020. <http://world.people.com.cn/n1/2017/0222/c1002-29100574.html>.

<sup>3</sup> Sheng, E. 2017. "Five Major Investments by China in the US in 2016." [In Chinese.] Accessed December 12, 2019. <http://admin.forbeschina.com/review/201701/0064462.shtml>.

<sup>4</sup> McKenzie, B. "Chinese Investment Tripled in US in 2016, Doubled in Europe." Accessed December 12, 2019. <https://www.bakermckenzie.com/en/newsroom/2017/02/chinafdi>.

makes extensive demands concerning human rights and democratic reforms in the recipient countries. In contrast, China provides foreign aid in three forms: free aid grants, interest-free loans and concessional borrowings. The difference between American and Chinese actions effectively determines whether the recipient countries can achieve genuinely independent development. There are also fundamental differences in the targeting of aid. The major portion of China's foreign aid from 2010 to 2012 went to economic infrastructure, which accounted for about 44.8% of the total, followed by public infrastructure, which accounted for about 27.6%.<sup>1</sup> In 2010, according to OECD (Organization for Economic Cooperation and Development) international development data, some 48.2% of the ODA provided by the United States was spent on social and public administration facilities, while only 10.3% went to economic infrastructure (Huang 2013). The different emphasis in the foreign aid of China and the United States has a self-evident impact on the economic development of the recipient countries. China's aid contribution to these countries and regions has not only improved the living standards of local people and promoted economic and social development, but has also made it possible for these countries to pursue independent development. In terms of OFDI and foreign aid, China's influence on a global scale is thus comparable to or even greater than that of the United States as a country at the center.

### (3) The Influence of China's Foreign Trade in the World System

According to data from *China Statistical Yearbook* (see table 4), China's total goods exports are increasing year by year. The quantities of industrial manufactured goods, machinery and transportation equipment are growing continuously, while primary products exports have remained steady after climbing year by year from 1980 to 2011. This not only indicates that China is adjusting the types and structure of its goods exports, but also demonstrates that the global competitiveness of China's manufactured products has been greatly enhanced.

Table 4. China's goods exports, different categories (billions of US dollars)

Year	Exports	Primary goods	Industrial manufactured goods	Machinery and transportation equipment
2011	1898.38	100.55	1797.84	901.77
2012	2048.71	100.56	1948.16	964.36
2013	2209.00	107.27	2101.74	1038.53
2014	2342.29	112.69	2229.60	1070.50
2015	2273.47	103.9	2169.541	1059.12
2016	2097.63	105.19	199.24	984.21
2017	2263.37	117.73	2145.64	1082.33

Source: China Statistical Yearbook 2018: International Economic and Trade Relations, 11-3: Total Import and Export according to Standard Classification in International Trade. <http://www.stats.gov.cn/tjsj/ndsj/2018/indexch.htm>.

<sup>1</sup> State Council Information Office of the People's Republic of China. "White Paper on China's Foreign Aid in 2014. [In Chinese.] Accessed January 8, 2020. <http://www.scio.gov.cn/zfbps/ndhf/2014/Document/1375013/1375013.htm>.

From a global trade perspective, China's economic impact is growing. China is not only the largest trading partner of most of the countries in Southeast Asia, as well as of Japan and South Korea, but is also an important trading partner of many regional organizations. China is the largest trading partner of the Association of Southeast Asian Nations (ASEAN), and the second-largest trading partner of the European Union (the United States is the largest). Meanwhile, the EU is China's largest trading partner. It is also worth noting that while Australia is an important ally of the United States, its largest trading partner is China. According to the report on trade by country published by the Ministry of Commerce of the People's Republic of China in 2017, China's trade with South Korea, ASEAN and Australia was larger in each case, both for exports and imports, than the corresponding exchanges with the United States (see tables 5 and 6). The increases in exports to China over the previous year from Japan (16.7%), South Korea (14.2%) and Australia (25.6%) were all significantly higher than the growth in exports to the United States, for which the figures were 3.6%, 3.2% and 0.8% respectively. Japan, South Korea and Australia also imported more from China (24.5%, 20.5% and 22.2% of total imports, respectively), than from the United States, for which the respective figures were 10.7%, 10.6% and 10.3%. The above trade data show that these countries and regions are gradually becoming more dependent on trade with China than with the United States. This reflects the fact that China's competitiveness in world trade has been increasing continuously.

Table 5. Exports of Major Trade Partners of China and the United States in 2017 (billions of US dollars)

Country/Region	Exports to China	Exports to the US
Japan	132.86	134.79
South Korea	142.12	68.61
ASEAN	235.69	169.86
European Union	244.87	434.93
Australia	76.45	8.99

Source: Country Report (Japan, South Korea, Australia, the United States). <https://countryreport.mofcom.gov.cn/default.asp>; Ministry of Commerce of the People's Republic of China. "Brief Statistics of Imports and Exports from January to December 2017." Accessed January 8, 2020. <http://tjxh.mofcom.gov.cn/article/tongjiziliao/feihuiyuan/201801/20180102701206.shtml>.

Table 6. Imports of Major Trade Partners of China and the US in 2017 (hundreds of millions of US dollars)

Country/Region	Imports from China	Imports from the US
Japan	1644.2	720.3
South Korea	978.6	507.4
ASEAN	2790.7	776.7
European Union	3720.5	2835.2
Australia	491.5	228.9

Source: Country Report (Japan, South Korea, Australia, the United States). <https://countryreport.mofcom.gov.cn/default.asp>; Ministry of Commerce of the People's Republic of China. "Brief Statistics of Imports and Exports from January to December 2017." Accessed January 8, 2020. <http://tjxh.mofcom.gov.cn/article/tongjiziliao/feihuiyuan/201801/20180102701206.shtml>.

Analysis by the International Monetary Fund further indicates that China has become a global leader in e-commerce and other cutting-edge digital industries.<sup>1</sup> The latest research report released by

<sup>1</sup>IMF. "Looking at China's Economic Outlook Through Six Charts." [In Chinese.] Accessed January 8, 2020. <http://www.imf.org/zh/News/Articles/2018/07/25/na072618-chinas-economic-outlook-in-six-charts>.

McKinsey Global Research Institute suggests that China's e-commerce market is the largest in the world, accounting for more than 40% of global transactions of this type, more than the sum of those in Britain, the United States, Japan, France and Germany. Meanwhile, China's mobile payment transactions are 11 times greater than those in the United States, and it has one third of the world's "unicorn" companies (unlisted start-ups valued at more than \$1 billion).<sup>1</sup> As can be seen, China's digital economy has played a significant role in facilitating the country's rapid trade growth.

#### **(4) The Financial Influence of China in the World System**

In recent years more and more countries have been attracted to and influenced by international financial cooperation organizations advocated by China, including the BRICS New Development Bank and the Asian Infrastructure Investment Bank, as well as by economic development and cooperation frameworks such as the Belt and Road Initiative. These projects, that are playing a leading role in the establishment of a new system of world finance, trade, investment and aid, act as important symbols of China's economic role as a quasi-center in the world system.

On the financial level, the international financial organizations initiated and advocated by China not only play an important role in regional economic development, but also provide a model for reform of the world financial system. The main financial organizations that China has proposed, and in which it now plays an active role, include the following: 1. BRICS New Development Bank (abbreviated to BRICS Bank). In July 2015 the five BRICS countries, China, Russia, India, Brazil and South Africa, announced the establishment of a new development bank with a capital of US \$100 billion, each country contributing 20% of the total. Together with the treaty on the establishment of BRICS emergency reserve arrangements signed by the five countries in 2014, this demonstrates the efforts made by the BRICS countries to strengthen cooperation, leverage cohesion and mobilize their own financial resources to make up for the incapacitation of the IMF, the World Bank and other international financial institutions (Lv and Xing 2017, 48). Moreover, the BRICS countries continue to increase the proportion of local currency settlement and the scale of currency swap agreements. The internationalization of BRICS currencies is also the cornerstone for challenging the hegemony of the US dollar, laying the foundation for the establishment of a new international financial system and of the world's main future multilateral development banks. 2. Asian Infrastructure Investment Bank (AIIB). The initiative that led to the setting up of the AIIB was put forward by Xi Jinping on October 2, 2013 during a visit to Indonesia. The goal was to ease the difficulties faced by Asian countries in financing long-term investment, particularly for infrastructure construction. These difficulties stem from the inability and unwillingness of the Western-dominated World Bank and the Japanese-led Asian Development Bank to meet the urgent needs of Asian countries as they set out to build their infrastructures and real economies. Xi Jinping's initiative was quickly welcomed by many countries, and as a consequence, the Asian Infrastructure Investment Bank was formally established on December 25, 2015. As of September 24, 2019, the AIIB had 44 regional members, 30 non-regional members and 26 prospective regional and non-regional members.<sup>2</sup> The member countries of the AIIB cover Asia, Europe, Oceania, South America and Africa, and include four of the five permanent members of the UN Security Council (China, Britain, France and Russia); 15 of the G20 countries, (China, Britain,

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<sup>1</sup> McKinsey Global Institute. "How China's Digital Economy Leads New Global Trends." [In Chinese.] Accessed September 6, 2017. <http://www.mckinsey.com.cn/中国数字经济如何引领全球新趋势/>.

<sup>2</sup> AIIB. "Members and Prospective Members of the Bank." Accessed January 8, 2020. <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>.

France, India, Indonesia, Saudi Arabia, Germany, Italy, Australia, Turkey, South Korea, Brazil, South Africa, Russia and Canada); five of the G7 countries (Britain, France, Germany, Italy and Canada); and all five BRICS countries. The appeal and influence that China has been able to bring to the establishing and development of the AIIB are beyond the reach of any of the world's peripheral countries, and of most central countries as well. The AIIB plays an important role that is different from those of the World Bank led by the United States and the Asian Development Bank led by Japan. Thirty-nine loans or investment projects for 13 countries have been approved, to a total amount of more than 7.5 billion US dollars.<sup>1</sup> This is another important manifestation of China's financial influence in the world economic system.

In a further important development China's currency, the RMB, officially joined the Special Drawing Rights Basket on October 1, 2016, becoming the fifth largest currency in the basket after the US dollar, the euro, the pound sterling and the Japanese yen. This marks a significant advance for the internationalization of the RMB and the use of the RMB in international settlements. The use in currency swaps of a stronger RMB is also helping to break the monopoly power of the US dollar, to limit the ability of the US to enforce financial sanctions, and to push forward the reform of the international monetary and financial system.

#### **(5) The Impact of China's Enhanced Competitiveness on the World System**

China's enhanced competitiveness, centered on the core areas of science, technology and manufacturing, is having rapidly increasing impacts around the globe.

In a growing number of fields, China's technological preeminence is becoming more and more obvious. For instance, China can point to its world-leading quantum communications supercomputers, BeiDou Satellite Navigation System, 5G communications, artificial intelligence, combustible ice extraction, e-commerce, mobile payments, and so on. In other technologies as well, China is well ahead of the trend in the scientific world. Specifically, China was the first country in the world to clone a monkey using non-reproductive cells. This technology not only makes China a world leader in the field of non-human primate research, but also indicates a bright future for research into major brain diseases suffered by human beings.<sup>2</sup>

Second, China's manufacturing industry is becoming increasingly visible on the world scene. According to the World Bank, the added value created in China's manufacturing industry surpassed that of the United States in 2010, making China the world's largest manufacturing country. In 2018 China's manufacturing added value accounted for more than 28% of the world total, confirming the status of the country's manufacturing as an important engine driving global industrial growth. In its output of the world's 500 most important industrial products, China ranks first in the world in the case of more than 220. Currently, China has 41 industrial classes, 207 divisions and 666 sectors, forming an independent and complete modern industrial system, and is the only country in the world with productive capacity in all the categories that feature in the United Nations (UN) Industrial Classification.<sup>3</sup> High-speed trains are among the best-known examples of China's high-end

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<sup>1</sup> Zhao Jueyu. "What Has the AIIB Achieved Three Years after Being Established?" [In Chinese.] Accessed January 12, 2019. Huanqiu.com: <https://world.huanqiu.com/article/9CaKrnKgVXc>.

<sup>2</sup> Wang Ying. "Awesome! These New Scientific Achievements in the First Half of This Year May Change Your Life." [In Chinese.] Accessed July 3, 2018. Xinhua News: [http://m.xinhuanet.com/he/2018-07/03/c\\_1123071868.htm](http://m.xinhuanet.com/he/2018-07/03/c_1123071868.htm).

<sup>3</sup> Wang Zheng. 2019. "Ministry of Industry and Information Technology: China Has Become the Only Country with All Industrial Categories." [In Chinese.] *People's Daily*, September 20, 2019.

manufacturing. Between 2009 and 2017, this technology was exported successfully to Singapore, the United States, Turkey, India, Saudi Arabia, Brazil, Argentina, the Philippines and Ethiopia, covering six continents and becoming a major driving force that stimulates the growth of the global economy and has enormous economic influence.<sup>1</sup> China's five-year-old high-speed train carries more passengers than the 34-year-old French bullet train, travels at 350kph—faster than those of Japan and Germany—and has a cost that is only one-third to one-half of its Japanese and German counterparts.<sup>2</sup>

Third, China's standing as a defender of intellectual property rights is becoming more and more undeniable. As confirmed by an article posted on an Australian website, China is committed to strengthening intellectual property protection in science and technology.<sup>3</sup> Francis Gurry, Director General of the World Intellectual Property Organization, acknowledged to Xinhua News Agency that China is an intellectual property producer and has recorded great achievements in the protection of intellectual property rights. As the second-largest source of international patent filings, China is rising in terms of global brands and cultural content.<sup>4</sup> According to the annual report released by the UN World Intellectual Property Organization, China filed 1.3 million patent applications in 2016, accounting for 98 percent of the total increase in patent applications around the world. In 2016, China's authorities received more patent applications than the United States, Japan, South Korea and Europe combined.<sup>5</sup> In 2017, the number of effective patents for industrial inventions above Designated Size reached 934,000, an increase of 29.8 times over 2004. Additionally, some technologies have moved from a follow-up position to parallel or even leading status. For instance, China's power generation equipment, power transmission and transformer equipment, rail transit equipment, and communications equipment industries now hold leading world positions.<sup>6</sup>

Fourth, China's competitive advantage across a wide range of production is becoming increasingly evident. The Global Competitiveness Report 2017-2018 showed that on nine of the 12 indicators measuring competitiveness China's position improved, with the following rankings the most prominent. China's market scale ranking came in first, its macroeconomic environment ranking was 17th, and its innovation ranking was 28th. On the sub-indicators of "domestic economy" and "employment," meanwhile, China was ranked first in the world.<sup>7</sup>

## **(6) The Influence of China's Belt and Road Initiative in the World System**

In September and October 2013, Xi Jinping put forward proposals for cooperation aimed at building the Silk Road Economic Belt and the 21st-Century Maritime Silk Road respectively. On March 28, 2015, the National Development and Reform Commission, the Ministry of Foreign Affairs and the Ministry of Commerce together issued the document "Vision and Actions on Jointly Building the Silk

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<sup>1</sup> Yi Ting. "China's Subway Exported to Six Continents." [In Chinese.] Accessed May 31, 2017. Zijing.org: <http://hk.zijing.org/2017/0531/735732.shtml>.

<sup>2</sup> *People's Daily*. "The Chinese Wave is Coming." [In Chinese.] Accessed September 28, 2017. [http://politics.gmw.cn/2017-09/28/content\\_26374305.htm](http://politics.gmw.cn/2017-09/28/content_26374305.htm).

<sup>3</sup> Tang Libin. "From Australian Media: China is Moving forward to Becoming an IP Power and Will Lead the World in Several Fields." [In Chinese.] Accessed March 27, 2018. <http://column.cankaoxiaoxi.com/g/2018/0327/2259849.shtml>.

<sup>4</sup> Xinhua News Agency. "Top-Down National Strategy to Promote China's Innovation and Development: Interview with WIPO's Director General Francis Gurry." [In Chinese.] Accessed July 10, 2018. [http://www.xinhuanet.com/2018-07/11/c\\_1123110273.htm](http://www.xinhuanet.com/2018-07/11/c_1123110273.htm).

<sup>5</sup> Liu Qu. "UN Report: China's Patent Applications Lead the World." [In Chinese.] Accessed December 6, 2017. [http://www.xinhuanet.com/2017-12/06/c\\_1122069802.htm](http://www.xinhuanet.com/2017-12/06/c_1122069802.htm).

<sup>6</sup> Wang Zheng. "Ministry of Industry and Information Technology: China Has Become the Only Country with All Industrial Categories." [In Chinese.] *People's Daily*, September 20, 2019.

<sup>7</sup> The Rise of China's Competitiveness Reflected in Its Ranking in Two Authoritative International Lists." [In Chinese.] Accessed October 18, 2017. [http://www.gov.cn/xinwen/2017-10/18/content\\_5232802.htm](http://www.gov.cn/xinwen/2017-10/18/content_5232802.htm).

Road Economic Belt and the 21st-Century Maritime Silk Road.” Since then, the Belt and Road Initiative (BRI) advocated by China has met with active support from countries in Central Asia, South Asia, Western Asia, Europe and Africa. This new cooperation framework not only plays a role in enhancing China’s economic influence and attractiveness, but also encourages countries along the belt and road routes to implement more extensive multi-dimensional cooperation and to further promote the reform of the global economic system. In this way, the Belt and Road Initiative has become a model for many countries and regions to launch equal and mutually beneficial economic cooperation, and has contributed to reshaping the world economic system.

The effects of the Belt and Road Initiative are now expanding exponentially. In January 2018 alone, the non-financial direct investments of Chinese enterprises in 46 countries along the route amounted to 1.23 billion US dollars, an increase of 50% over the same month of the previous year and accounting for 11.4% of total investment during the same period.<sup>1</sup> According to the National Information Center in its “Big Data Report on Trade Cooperation Under the Belt and Road Initiative (2018),” which assessed the impacts of the BRI in terms of cooperating countries, participation by provinces and cities, influence of think tanks, media attention, foreign trade competitiveness and so forth, the foreign trade of the countries along the route accounted for 30% of the world total, representing an important contribution to the economic development of China and other countries along the Belt and Road.<sup>2</sup> The international cooperation under the BRI also includes foreign assistance. Through interconnectivity, and with the Silk Road Fund and AIIB helping in the rational arranging of grant aid and interest-free loans, China has strengthened its cooperation with neighboring countries such as Pakistan, Bangladesh, Myanmar, Laos, Cambodia, Mongolia and Tajikistan in terms of railway and road projects (Bai 2015). The AIIB is currently raising loans of 1.09 billion US dollars for six infrastructure projects in ASEAN countries,<sup>3</sup> with the aim of enhancing trade and investment development in countries along the BRI route through investment in infrastructure.

In this regard, the Belt and Road Initiative proposed by China is benefiting the world economy. Underpinned by China’s own economic strength, influence and centripetal force, the BRI has boosted participation in global economic and trade cooperation, and has allowed the countries along its route to share in the benefits of economic development in China and throughout the world. This amounts to a new model of international collaboration, one that could only be led and implemented by a country with quasi-central or central status in the world system.

To sum up, analysis of China’s important role in the contemporary world economic system, together with comparisons with advanced economies, leads to the conclusion that while a gap still exists between China and the developed world, the dramatic progress that China has achieved clearly distinguishes it from semi-peripheral and peripheral countries. For that reason, the concept of the “quasi-center” must be adopted in order to present an objective description and definition of China’s role in the world system since 2012. The idea of the “quasi-center” is an innovative supplement to the

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<sup>1</sup>The Ministry of Commerce of the People’s Republic of China. “China’s Investment in and Cooperation with Countries along the Belt and Road Route in January 2018.” [In Chinese.] Accessed February 22, 2018. <https://www.yidaiyilu.gov.cn/xwzx/gnxw/48443.htm>.

<sup>2</sup>National Information Center. “Big Data Report on Trade Cooperation under the Belt and Road Initiative 2018.” [In Chinese.] Accessed January 9, 2019. <https://www.yidaiyilu.gov.cn/mydsjbg.htm>.

<sup>3</sup>Ji Liqun. “AIIB Raising Loans for Six ASEAN Infrastructure Projects.” [In Chinese.] Accessed September 22, 2019. <http://www.chinanews.com/cj/shipin/cns/2019/09-22/news832286.shtml>.



binary “center-periphery” theory, and articulates a new ternary theory of “center–quasi-center–periphery,” or a quaternary theory of “center–quasi-center–semi-periphery–periphery.”

#### **4. Conclusion**

It should be noted that for China, the appropriate path is to remain modest and cautious. On the basis of the continuous progress toward prosperity achieved over the last 70 years since the founding of the People’s Republic, China should maintain, consolidate and steadily expand its influence in the world system, and should strive to become part of the center by 2035. The goal will then be to construct, by the mid-21st century, a strong modern socialist country playing a leading role among the countries at the center of the world system, so as to be able to effectively promote the construction of “a shared future community of humankind,” an objective widely endorsed by international organizations.

To this end, China should develop scientific theories and formulate strategic policies that include the following main points: achieving advances in the field of intellectual property and bringing about the more rapid development of a scientific and technological system suited to an innovation-based country; elaborating theories and strategies in the area of finance that will enable a shift from a virtual to a real economy, and that will accelerate the construction of a financial system that involves an internationalized RMB; establishing scientific theories and strategies that maintain public ownership as the mainstay of the economy, and achieving the more rapid improvement of a property system that features the coordinated development of multiple forms of ownership; formulating theories and strategies for quality development; accelerating the development of an industrial system that is based on full and mutual openness, and that is highly coordinated with the international economy; devising theories and strategies that will allow a just economic globalization; and speeding up the improvement of an institutional system for a new international economic order and for common economic security.

Finally, it must be pointed out that China will follow the principle of “widely cooperative and non-hegemonic” principle in its foreign relations, and abide by the international rules and regulations set by UN, WTO, etc. China advocates international cooperation under the Belt and Road Initiative and mutually beneficial cooperation with African and other countries, without interfering other countries’ internal affairs, withdrawal from partnership, or political and military alliances against other countries. There is no such things as Chinese “imperialism” and “colonialism,” and what China is doing is fundamentally different from the new imperialism and new hegemony of the United States that is widely critiqued by the international left. The US monopoly bourgeoisie and its regime believe that China’s peaceful rise has not changed its socialist political system and values, and has hindered the US role as world hegemon and world police. For that reason, China is listed as the number one rivalry of the United States, which tries to repress and provoke China through all-round illegal suppression and provocation in economic, scientific, technological, political and military terms. This is essentially an attempt to threaten world peace and development with a “new Cold War,” and must be treated with great attention and common opposition from the leftist forces around the world.

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