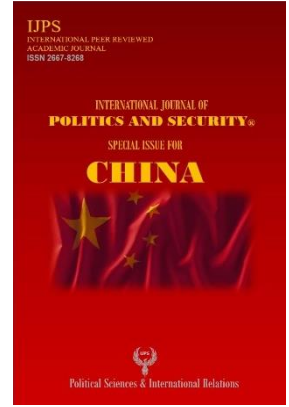


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The Dynamics of Internationalization for the China in the Context of New Gramscianism

Ferdi T. GÜÇYETMEZ*

Abstract

The former Soviet Union lost the tug-of-war against the capitalist western hegemon United States of America as it got dissolved in 1991. The international system shifted dramatically from bipolarity to unipolarity for the benefit of the Pax Americana, and history was assumed to be ended in favour of it as clearly as indicated by Fukuyama in brief account. In International Relations literature, it could be observed that there are many scholars like offensive neorealist John Mearsheimer who produced seminal studies drawing our attention on the pros and cons of rising power, China. Our main argument is to make elaborations on what Cox theoretically put forward, upon which our assumption is that China wants to achieve what the former Soviet Union failed by using different, but not surprising, methodology: Not the war of movement based on the complete material power by disregarding other configurations of power as the former Soviet Union insisted on during the Cold War between 1945 up until its break down, but the war of position to achieve counter hegemony against the West is the strategy of China. For penetrating the idea, read Communist ideology, into the Western sphere of influence in the Third World, and on the globe in general, China put in motion the strategy of passive revolution via eco-soft power that is to be defined as outward investment for attraction and persuasion through material capacity to obtain consent (legitimacy).

Keyword: China, New Gramscianizm, Internationalization, Investment

Yeni Gramscianizm Bağlamında Çin için Uluslararasılaşmanın Dinamikleri

Özet

Eski Sovyetler Birliği, kapitalist batılı hegemon Amerika Birleşik Devletleri'ne karşı olan çekişmeyi 1991'de dağıldığında kaybetti. Uluslararası sistem, dramatik bir şekilde iki kutupluluktan tek kutupluluğa Pax Americana'nın yararına kaydı ve tarihin, Fukuyama'nın kısaca ifade ettiği gibi, onun lehine sona erdiği varsayıldı. Uluslararası İlişkiler literatüründe, yeni ufuklar açan saldırgan yeni-gerçekçi kuram, John Mearsheimer gibi birçok bilim insanı tarafından dikkatimizi yükselen güç Çin'in artıları ve eksileri üzerine çektiği gözlemlenebilir. Ana argümanımız, Cox'un teorik olarak ortaya koyduğu ve Çin'in eski Sovyetler Birliği'nin başaramadığını, farklı ama şaşırtıcı olmayan bir metodoloji kullanarak, başarmak istediğini varsaydığımız detaylandırmalar yaparak, Çin'in, 1945'le Soğuk Savaş arasındaki hegemonyaya karşı mevzi savaşını verdiğini gözlemlemek. Üçüncü Dünya'da ve genel olarak dünya genelinde fikrini Batı etki alanına nüfuz etmek için, Komünist ideolojiyi okuyun, Çin, rıza (meşruiyet) elde etmek için materyal yoluyla çekim ve ikna için dışarıya yatırım olarak tanımlanacak eko-yumuşak güç yoluyla pasif devrim stratejisini harekete geçirdi.

Anahtar Kelimeler: Çin, Yeni Gramscianizm, Uluslararasılaşma, Yatırım

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1. Introduction

In the context of New Gramsci thought, China, without displacing the existing power configurations of Western world order, will be locked in an unproductive passive revolution which has no stimulating impact on the popular force in the long-term, and Western idea has been profoundly embedded in the international society.

China has been paving way for the stalemate which results from western intensive and complex transformism (read co-option of the developing states through either coercion or consent for the purpose of keeping consolidated its hegemony to cope with conflict of interest) likely to function at the expense of China. The U.S, though some exception justifies the opposite for some cases in the past, has proved it is expert in the containment policy with the reciprocal interaction of material power, idea and institutions. As underlined by Cox, for a new hegemony, social forces generated by changing production process are to be taken into account. Without understanding the hegemonic strategy in Western origin within the framework of historical structure composed of three main spheres of such activity as the social forces, forms of state and world orders, each of which ought “to be considered separately and represented in a preliminary approximation as particular power configurations of material capabilities, ideas and institutions as articulated by Robert Cox, no counter hegemony could conduct a rival historical structure either against the prevalent western hegemony or independent of transnational social forces.

“The purpose of the article is to focus on the dynamics of internationalization and outward investment strategy of China in the context of Neo-Gramscian approach in international political economy. The primary objective is to coming to a conclusive statement expected to be free from previous approaches that take the concept of hegemony from the standpoint of the nation-state and inter-state system”¹

In the context of new Gramscian, we can detect divergences between national social forces in China from both within and without China by focusing on FDI in China and abroad China, and transnational social forces which built the global hegemony historically originating

¹ Maxim Boycko, Andrei Shleifer, and Robert W. Vishny, “A Theory of Privatization,” mimeo., Harvard University (Massachusetts: University Press, 1993), 99-101.



in the West. China particularly has been implementing continuously numerous strategies to increase the efficiency of the State-owned enterprises (SOEs) since 1978.

The reforms to enhance internal governance standards were in a simple framework to set up a balance between control and autonomy in the SOEs by focusing on the problem of economic inefficiency, management entrenchment, redundancy and mismanagement due to wrong allocation of factors of production by disregarding the effect of opportunity cost and so on²

Today, China still controlling intensively SOEs has been attempting to realize transformation of its economics, by means of “renewed mixed ownership” as of 2013, from an investment-driven export economy to an innovation-led economy³. While attracting the inflow of direct foreign investment (FDI)⁴ to mitigate the financial cost of unemployment, China, within its outward investment strategy, has been “investing the dollars generated by this inflow, by a growing trade surplus (Table X) and by speculation capital in fixed interest rate US treasury bonds to hold down its currency and protect its domestic economy⁵. Chinese multinationals set up joint ventures with western-driven multinationals within China before establishing outward investments.⁶ Moreover, China benefited from global equity joint-venture and M&As (Mergers and acquisitions) for the goal of obtaining crucial raw materials, natural resources. The establishment of SASAC (The state-owned Assets Supervision and Administrative Commission) in March 2003 contributed to this kind of transformation process primarily through M&As⁷.

² William Byrd, “Contractual Responsibility Systems in Chinese State-Owned Industry,” in *Advances in Chinese Industrial Studies* 2, (Greenwich: CT: JAI Press, 1991): 25.

³ Amir Guluzade, provides us an example for mixed ownership; “The government went as far as introducing mixed ownership in telecoms company China Unicom, by selling shares worth around \$11 billion to 14 private investors. This was done as a step towards making China Unicom more accountable and more focused on generating returns on equity, while retaining state control”, Explained, the role of China’s state-owned companies, World Economic Forum, available at <https://www.weforum.org/agenda/2019/05/why-chinas-state-owned-companies-still-have-a-key-role-to-play/> (04.05. 2020).

⁴ See, “In July 2012, when China was seeing huge capital inflows and sitting on a massive foreign exchange reserve, the government issued a policy guideline encouraging private companies to pursue foreign expansion and urged state banks to support their efforts”, South China Morning Post, Nov. 2018, available at <https://www.scmp.com/economy/china-economy/article/2173469/china-pledges-more-support-private-firms-investing-abroad-12>. (05.05.2020).

⁵ Gary H. Jefferson and Wenyi Xu, “The Impact of Reform on Socialist Enterprises in Transition: Structure, Conduct, and Performance in Chinese Industry,” *Journal of Comparative Economics* 15, no.1 (London: 1991): 45-64.

⁶ Hong Sun. “Dynamics of Internationalization and Outward Investment: Chinese Corporations’ Strategies”. The China Quarterly, no. 187 (New York: Red Press, 2006): 610–634.

⁷See, Ligang Song indicates the important role of Chinese SOEs as the backbone of Chinese economy and its internationalization; “China’s SOEs continue to play a significant role in several strategic industries, including new sources of energy, telecommunications and information technology, automation, transport equipment (such



“China’s foreign direct investment abroad was in steady increase up until 2017 when it dropped by 19, 3 % if compared with the previous year. This is actually the biggest dip since 2003. Apart from some security reasons, for instance, 5G network ban was imposed on Huawei in United States and Austria, China has already reached to its full extent in its assembly role in some export markets and world supply chains. Furthermore, China’s comparative advantage of low-skilled manufacturing has been deteriorating due to upward adjustment of Renminbi periodically and rising cost of labour.⁸”

“The indefinite trade war, which broke out as United States imposed 25% tariffs on Chinese imports due to constantly increasing trade deficit of United States and its pressure on China to appreciate more the value of Yuan against dollar and in response retaliation by China on American imports, commenced on July 7, 2018 between Donald Trump as the President of the United States and Xi Jinping as the President of People’s Republic of China.⁹”

This war coincides with Chinese state objective of, “Made in China 2025” implying that for China “new engines of growth in higher value-added industries will be increasingly more technology- and knowledge-intensive, placing a high premium on effective innovation and investment in education and research and development. For recent developments about Chinese export volume, Financial Times publicized on January 2020 that “China’s export growth slowed to a three-year low last year as the effects of trade tensions with the US and a slowing global economy took their toll”¹⁰.

“No matter do the industrialized states, the United States in particular which has been steadily and constantly losing its economic sphere of influence in the international society, began to conduct protectionist strategy against China enjoying huge amount of foreign exchange reserves, and outbreak of unprecedented pandemic crisis COVID19 together with

as automobiles, aviation, shipbuilding and high-speed railways), new materials, space technologies, construction materials and infrastructure development. The government has also called on SOEs to play a critical role in achieving the goals of the ‘Made in China 2025’ policy, which aims to build high-end manufacturing industries across all key industrial sectors”, State-owned enterprise reform in China: Past, present and prospects, Ch. 19., pp. 345-374.

⁸ Theodore Groves, Yongmiao Hong, John McMillan, and Barry Naughton, “Productivity Growth in Chinese State-Run Industry.” in *China’s State-Owned Enterprise Reforms*, ed. Dong Fureng, Cyril Lin, and Barry Naughton (London, UK: Macmillan, 1993), 134-136.

⁹ Chen Kuan, et al., “Productivity Change in Chinese Industry: 1953-1985.” *Journal of Comparative Economics* 12, no.4 (1988): 570-591.

¹⁰ “Chinese export growth slows to 3-year low”, Jan. 2020, available at <https://www.ft.com/content/39a57f14-367f-11ea-a6d3-9a26f8c3cba4>. (28.04.2020).



recession in world economy, China will not stop allocating funds to strategic assets and investments abroad via M&As¹¹.

Free trade has nothing to do with zero-sum game. However, as indicated by Kenneth Waltz clearly, what to be taken into account in reality in global politics is the game of worst-case scenario-driven states, by which the gain by one is a loss for the other in this self-help system of anarchy. However, free trade, considering the comparative advantage and the effect of opportunity cost, is a positive-sum game in which no one wins at the expense of the other since some states produces relatively at lower cost than the other in this ever-complex interdependent global world.

“Upon all those economic developments mentioned above in brief, the article will try to present the readers that China is purely at the cross roads of becoming giant material power engaged by trade wars with the United States in contemporary period of time or being socially good, or both in its interaction with the international society as an active opportunist participant.”¹² “The article penned by Min-Hyung Kim makes a challenging claim that it is the American fear about its inevitable collapsing hegemony and rising power of China as a power challenging the US hegemony, which is to be assumed as the underlying cause of the US-launched trade war with China, and this trade war is to be regarded as in effect political (The US-Sino hegemonic rivalry), but not economic”¹³. Joseph Nye brought forward more flexible understanding about the declining of US hegemony: Not the absolute decline, but relative decline without doubt. In the context of smart power, the U.S has the capacity and capability to make a trade-off between hard power and soft power.

China wants to achieve what the former Soviet Union failed by using different, but not surprising, methodology: “Not the war of movement based on the complete material power by disregarding other configurations of power as the former Soviet Union insisted on during the Cold War between 1945 by getting entangled with nuclear proliferation up until its break down, but the war of position to achieve counter hegemony in the long run against the West is the international strategy of China.” For penetrating the idea, read Communist ideology, into the

¹¹ In 2002, the China National Offshore Oil Corporation became the largest foreign oil producer in Indonesia after its takeover (for US\$585 million) of Repsol Indonesia. In 2016, China was the largest investor in Africa, making up 39 percent of global investment inflows.

¹² Dollar David, “Economic Reform and Allocative Efficiency in China's State-Owned Industry.” *Economic Development and Cultural Change* 39, no.1 (1990): 89-105.

¹³ McAfee, R, Preston, and John McMillan, “Organizational Diseconomies of Scale,” mimeo, University of California, (San Diego: University Press, 1991), 21-23.



Western sphere of influence in the Third World, China put in motion the strategy of passive revolution via eco-soft power, outward investment for attraction and persuasion through exploiting its huge material capacity to obtain consent (legitimacy).

In the context of New Gramsci thought, China, without displacing the existing power configurations of Western world order, will be locked in an unproductive passive revolution which has both no stimulating impact on the popular force profoundly embedded in the international society especially as of the end of the Second World War considering the political and economic international institutions.

“China has been paving way for the stalemate which results from western intensive and complex transformism (read co-option of the developing states through either coercion or consent for the purpose of keeping consolidated its hegemony) likely to function at the expense of China. However, what makes the matter more complicated than ever is that there is a conflict of interest in the core state, the United States, since Trump began to implement protectionism, by the motto of “Make America Great Again” (MAGA) in the context of national economy (Neo-Mercantilism), which is what transnational social class do not like.”¹⁴

Cox, perfectly illustrates in his article that within the established hegemony, the alternative strategy must be set up as an alternative order to be built through war of position by which “alternative institutions and alternative intellectual resources within existing society would be created for building bridges between workers and other subordinate class”¹⁵

Actually, the abstractions of his article can be applied for the purpose of seeking the prospect of alternative hegemony independent of transnational social forces beyond the existing world order. More specifically, we are looking for the answer about how those social forces which turned out to be a transnational class who formed the state as a hegemon, read the United States, are different from national social forces in China with regards to their emergence and going beyond the political borders, and conducting eventually a world order at final stage through focusing at each level on material capacity, idea and institutions in the context of comparative hegemony.

¹⁴ Paul Milgrom and John Roberts, “Bargaining and Influence Costs and the Organization of Economic Activity.” in *Rational Perspectives on Political Economy*, ed. J. Alt and K. Shepsle, (Cambridge, UK: Cambridge University Press: 1990), 45-49.

¹⁵ Robert Cox, “Social Forces, States and World Orders: Beyond International Relations Theory.” *Millennium: Journal of International Studies* 10, no.2 (1981): 126–155.



Through analysing transnational social forces in detail, the primary objective is to coming to a conclusive statement expected to be free from previous approaches that take the concept of hegemony from the standpoint of the nation-state and inter-state system. Is China really free from the network of transnational forces if we look at the convergences and divergences in methodology between China and those who built the global order? The unit of analysis is state, like the convention that “the empire of the capital under the control of TNC (Transnational corporations) is headquartered in Washington”¹⁶

2. Historical structure of hegemony within the state

As underlined by Cox, for a new hegemony, social forces generated by changing production process are to be taken into account. Without a comprehensive understanding of the hegemonic strategy in Western origin within the framework of historical structure composed of three main spheres of such activity as the social forces, forms of state and world orders, each of which ought “to be assumed in separate and represented in a preliminary approximation as particular power configurations of material capabilities, ideas and institutions” as articulated by Robert Cox, no counter hegemony could conduct a rival historical structure from within or from without the historical bloc, or against either the prevalent western hegemony or independent of transnational social forces in international relation.

By the same token, some attempts for counter hegemony were locked in the dialectic between revolution-restoration, or progressive and reactionary, and transformismo under the roof of passive revolution sooner rather than later.¹⁷ The purpose of the article is to focus on the dynamics of internationalization and outward investment strategy of China in the context of Neo-Gramscian approach in international political economy under the title of comparative hegemony.

Before paying attention on Chinese economic transformation in the context of Neo-Gramscian approach, for the objective of theoretical framework, the article will focus firstly on the international historical structure produced global hegemony in accordance with the well-known premise articulated by Robert Cox.

¹⁶ Robert C. Miljus and William M. Moore, “Economic Reform and Workplace Conflict Resolution in China.” *Columbia Journal of World Business* 25, no.4 (1990): 49-59.

¹⁷ Naughton, Barry, “Hierarchy and the Bargaining Economy: Government and Enterprise in the Reform Process,” in *Bureaucracy, Politics, and Decision-Making in Post-Mao China*, ed. Kenneth G. Lieberthal and David M. Lampton (Berkeley: University of California Press: 1991), 65-70.



Robert Cox actually tried to apply Gramscian conceptualization of hegemony for the international relations. As he mentioned in his ground-breaking article, not all Western European societies were to be regarded as bourgeoisie hegemonies.¹⁸

United Kingdom in the 19th century and the United States of America in the 20th century deeply underwent an all-throughout social revolution by means of new, and changing as well, modes of production and intensive social relations through a successful dialogue between traditional intellectual class and organic intellectual class of workers and peasants, which is a prerequisite for passage from the structure to the very complex and complicated sphere of superstructure in order to realize movement towards hegemony. The other societies only imported new orders without displacing the old order. Therefore, they were all caught up in between the unproductive, due to not leading to rising of popular force, dialectic of revolution and restoration, and transformismo as well. Such an inevitable resulting stalemate of the new industrial bourgeoisie (read intermediary between the population and the state) with the (idea of) traditional dominant class (state) due to lack of intense dialogue, namely between superstructure and structure, will bring only about the conditions of passive revolution.

Cox particularly presents us details about transformismo to let us figure out passive revolution in such a way that it serves “as a strategy in a simple framework to assimilate, domesticate any idea or interest, and halt the formation of any class-based formation which is in opposition of established (traditional) social and political power”¹⁹

For giving formulation for the movement towards Gramscian hegemony which has nothing to do with passive revolution: by social revolution by means of new modes of production and intense & reciprocal social relations, class-based organizations/groups (workers & peasants) will get passage from structure towards the complicated superstructure. Thus, the interests of the leading class (superstructure) will eventually get into harmony with those of subordinate classes. Thus, we observe incorporation of all the interests into a universal ideology.

Gramsci actually draw our attention to create consciousness that bourgeoisie intellectuals had already done for the whole society and created its own hegemony. The organic

¹⁸ Robert Cox, “Gramsci, Hegemony and International Relations,” *Millennium Journal of International Studies* 12, no.2 (1983): 162-175.

¹⁹ Ibid.



intellectuals of the subordinate class to create a new hegemonic block should perform similar role within the same society. Otherwise, transformismo will be experienced, in which any interest of class-based organizations will be co-opted, assimilated, domesticated. For Cox, superstructures of ideology and political organization shape the development in modes of production, and are shaped by it.

For Gramsci, fascist Italy failed in its attempt while introducing advanced industrial practice of American capitalism under the old order of Italy. Social forces are generated by changing modes of production. “Components of passive revolution is appropriate for industrializing Third World countries in which there is no dominant class could set up a hegemony in effect since old owner classes were sustained, for instance either by Napoleon Bonaparte as revolutionist/progressive, or Napoleon III as the reactionary), but yet unable to attract the support of subaltern groups.”²⁰

Subaltern groups were domesticated, co-opted, and assimilated. Undergoing an all-throughout social revolution by means of new, and changing as well, modes of production and intensive social relations through a successful dialogue among each strata of society reciprocally from bottom of structure to the top (complex superstructure). Not be disregarded that dominant coalition of new industrial bourgeoisie and traditional order class adjusted the subaltern groups to their policies by assimilating, and domesticating and co-opting. Gramsci primarily focused on the failure of the new bourgeoisie to achieve popular force among subaltern groups. The only solution for him, to accomplish “collective intellectual” to build a new bloc, is to set up organic intellectuals of the working class for an intellectual bond with the (new industrial) bourgeoisie intellectuals. Otherwise, as happened during fascist Italy, without both intense social relations and discarding the old order, there will be passive revolution, implying no hegemony that is not based on consent.

²⁰ Andrew G. Walder, “Wage Reform and the Web of Factory Interests,” *The China Quarterly*, no. 109 (1987): 23-41.



3. Gramscian approach and international relations

Gramscian approach claims that “basic changes in international power relations or world order can be traced to fundamental changes in social relations”.²¹ Furthermore, “great powers have relative freedom to determine their foreign policies in response to domestic interests, since their working class managed to nationalize itself, while “economic life of subordinate nations is penetrated by powerful nations.

“Let us reiterate the core point that Powerful nations experienced an all-throughout social revolution by means of new, and changing as well, modes of production and intensive social relations through a successful dialogue between traditional, including new industrial, intellectual class and organic intellectual class of workers and peasants, which is a prerequisite for passage from the structure to the very complex and complicated sphere of superstructure in order to realize movement towards hegemony. Subordinate nations are to be assumed as simply “the reflection of international developments which transmit their ideological currents to the periphery”²²

“Previously, the details were presented about the national hegemony. In this section, it will be in brief account given the transformation of national hegemony into transnational hegemony in the context of New Gramscian approach. Hegemonies are founded by powerful states which had experienced all-throughout social and economic revolution in domestic realm. Revolution modifies the internal political and economic structures of the state, and the energy out of this revolution forming the state moves beyond the state boundaries in search of new markets. Thus, national hegemony, which is established by dominant class, within the state turns out to be, by outward expansion, world hegemony. Thus, institutions, the culture (idea)

²¹ Andreas Bieler and Adam David Morton, “A Critical Theory Route to Hegemony, World Order, and Historic Change: Neo-Gramscian Perspective in International Relations,” *Capital and Class* 28, no.1 (Spring 2004): 85–118. These three realms are not deterministic or linear. The base and superstructure tend to reinforce each other in hegemonic systems but they cannot be reduced to each other. Conditions of production set limits on ideological and juridical activity but do not determine them. It is important to keep in mind that the elements of the superstructure enjoy a level of relative autonomy and serve as a venue for the expression of a plurality of interests, not all of which move in lockstep with the interests of economic elites. For a fuller discussion of this point, see James Martin, “Hegemony and the Crisis of Legitimacy in Gramsci,” *History of the Human Sciences* 10, no.1 (1997): 37–56.

²² Robert Cox, “Gramsci, Hegemony, and International Relations: An Essay in Method,” in *Gramsci, Historical Materialism and International Relations*, ed. Stephen Gill (Cambridge: Cambridge University Press, 1993), 57–58.



and the technology to be associated with the national hegemony inevitably become a pattern for emulation abroad.”²³

“The negative impact of the expansion of world hegemony on the periphery is also the passive revolution which is due to failure of eliminating old order, achieving political and economic revolution to gather popular support from the bottom due to lack of social relations, as mentioned in detail previously.”²⁴ Without breaking down the old order, incorporating elements from the Western world hegemonic model will just lead to unproductive revolution called passive revolution.

“The hegemonic world order is not only about the regulation of inter-state conflict, but a globally conceived civil society, since the social force within the nation hegemony, after forming the state as hegemon, now manages to have strong voice in the world by penetrating into the Third World countries.”²⁵ They are now transnational social force within a global economy with a (dominant) mode of production under their control, and they do penetrate into and the peripheral countries by linking them into world capital system, to be sure at the expense of periphery. Thus, Cox does apply Gramscian concept of transformismo on international political economy. Transformismo absorbs any counter hegemonic ideas and makes them in consistent with hegemonic doctrines. For Cox, it is totally an illusion to suppose a war of movement in international relations with regards to seizing the control of the superstructure of international institutions.

According to new Gramscian approach, “the norms of world hegemony are expressed by international institutions. They do facilitate the expansion of hegemonic world order, and they also legitimate the norms of the world order apart from co-opting the elites of peripheral states. They do absorb any counter hegemonic ideas.”²⁶ The Bretton Woods institutions have been maintaining the principles of commitment to harmonize national policies in the interest of a liberal world economy. Like Marshall Aid, IMF is helping periphery states for economic recovery conditionally. What makes the case more complicated about whether international

²³ Werner Baer, William R. Miles, and Allen B. Moran, “The End of the Asian Myth: Why Were the Experts Fooled?” *World Development* 27, no.10 (1999): 1735–1747.

²⁴ Joseph Stiglitz, *Freefall: America, Free Markets, and the Sinking of the World Economy* (New York: W.W. Norton, 2010), 22-23.

²⁵ Robert Cox, *Production, Power and World Order: Social Forces in the Making of History* (New York: Columbia University Press, 1987), 29.

²⁶ Catherine Kingfisher and Jeff Maskovsky, “Introduction: The Limits of Neoliberalism,” *Critique of Anthropology* 28, no. 2 (2008): 115–126.



institutions like IMF and World Bank have been paving way for autonomous organizations are the voting weight of the United States? Formal participation is weighted in favour of the dominant power the United States.

Considering the contemporary global political and economic relations, the US-driven world order has not been working properly, and we definitely observe more intensively, since Sept. 11 and significant financial crisis off 2008, concerted demands by the Third World states for the New International Economic Order through asserting on the counter hegemony. As can be witnessed at the United Nations the voting power of permanent members, the dominant state (the U.S.A.) secure the acquiescence of the other states in accordance with the hierarchy of powers within the inter-state structure of hegemony. Globally conceived civil society co-opts any outstanding individuals from the periphery into international institutions, or international system, in the manner of transformismo (passive revolution).

4. China beyond the Homeland: Chinese Foreign Direct Investment Abroad

“As explained in previous paragraphs, the SOEs are to be classified by two distinct segments: commercial and public service. Commercial SOEs are put into a further division into perfect competitive sectors and strategic sectors- i.e. key industries to be linked with national security and lifelines of Chinese national economic. The Commercial SOEs were allowed to compete freely with the private sector in China. SASAC did accomplish to facilitate the M&As by the merger of 20 central SOEs during the 2012–2018 period. China’s goals by the joint ventures and particularly M&As are to promote the competitive power of SOEs to fulfill, for instance, the “One Belt, One Road” project (initiative).”²⁷

“China has been constantly attracting direct foreign investment. In addition to the inflow of foreign direct investment, very dynamic export activities have been facilitated by the relatively less valuable Chinese currency Renminbi (RMB) in comparison to the US dollar. China put great emphasize on preserving current, stable exchange rate since its economic growth based on export-oriented economics, and any negative fluctuations, that is appreciation of RMB against US dollar, in the value of RMB would directly create negative impact on

²⁷ Furthermore see; undoubtedly, the most dramatic moment of realization about this point came from the high priest of neoliberalism in the United States, former Federal Reserve Chair Alan Greenspan. According to the October 24, 2008, New York Times, under questioning from Representative Henry A. Waxman Greenspan admitted that his anti-regulatory ideology and belief in rational markets was, at least in part, wrong. See:, <http://www.youtube.com/watch?v¼PWen53eqmJo>.



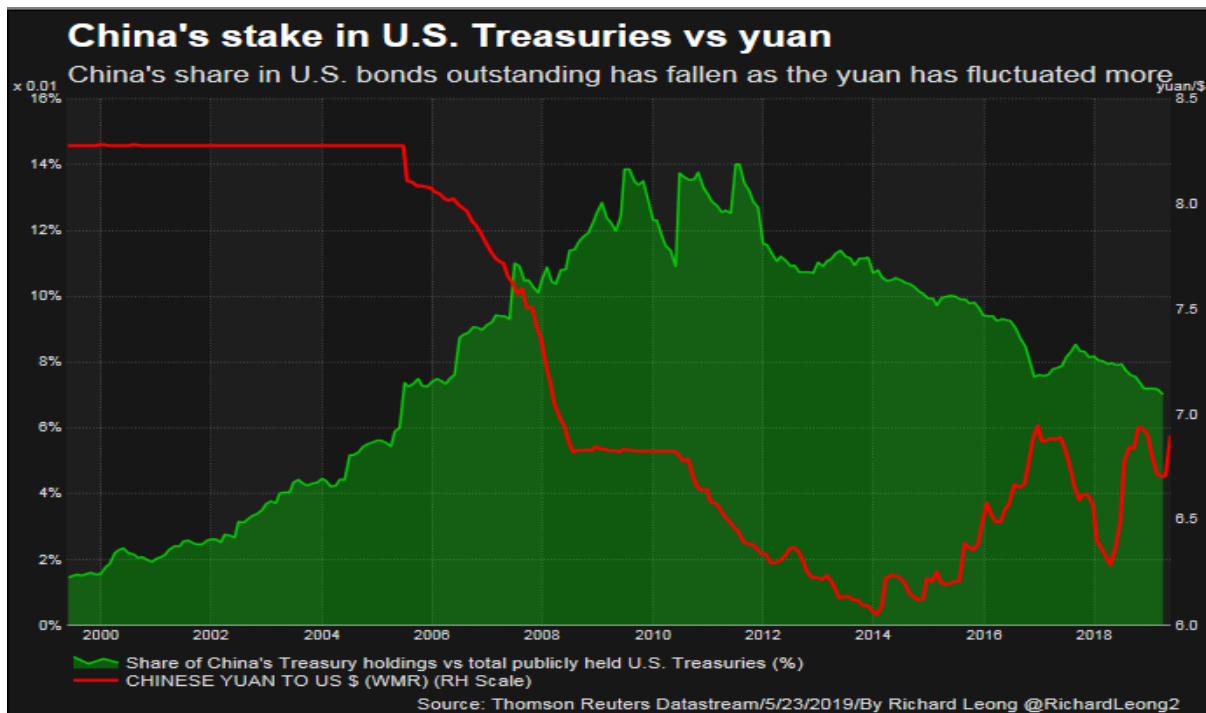
unemployment. China holds huge amount of foreign exchange reserves, more than \$ 3 trillion, if compared with particularly Core states like the US due to balance of payment surplus generated by increasing trade surplus and by the inflow of FDI into China.”²⁸

“For China, the U.S. Treasury market is a natural place and much more liquid pool of safe assets than other developed economies. The intensifying trade wars revealed the fact that there emerged more and more pressure on China because of holding more than 60 % of its huge foreign reserves in US dollar-denominated assets and particularly treasury bonds (\$ 1, 1 trillion dollars). Less valuable Chinese national currency (RMB) will make positive contribution into both Chinese foreign exchange reserves and macroeconomics, namely controlling unemployment, but more depreciated US dollar will diminish the value of the reserves since Chinese foreign-exchange reserves mostly composed of US dollar-denominated assets.”²⁹

China, since the financial crisis of 2008 (so called the Mortgage crisis), has been diversifying its assets in US treasury bills into other currencies for both decreasing its reliance on the US dollar and saving itself from the constraints of depreciated dollar. However, the cost of selling the US bills that is the primary means to hold down its currency since Chinese currency is not fully free floating is the fluctuation of the RMB, namely appreciation of Renminbi.

²⁸ Catherine Kingfisher and Jeff Maskovsky, “Introduction: The Limits of Neoliberalism,” 115–126.

²⁹ Stephen Gill and David Law, “Global Hegemony and the Structural Power of Capital,” in *Gramsci, Historical Materialism and International Relations*, ed. Stephen Gill (Cambridge: Cambridge University Press, 1993), 93.



The US as debtor still disturbed for seeing China as becoming creditor to the US. Almost 60% foreign exchange reserves of China have been held in US dollar denominated assets, and over \$ 1, 1 trillion out of almost \$ 3 trillion of its foreign-exchange reserves is held in US treasury bills. Considering the total US debt, \$ 21,97 and in particular \$ 6,3 trillion of US debts in total held by foreigners, Chinese investment in US assets, mostly the US treasury bills and bonds, is covering around 17,3 % of US total debt hold by foreigners.

This comes to the Trump Administration very disturbing. That is why, Trump simply wants China to put its currency into full floating exchange regime. What comes disturbing to the United States creates pressure on China because of holding 60 % of its foreign exchange reserves in dollar-denominated assets. Already depreciated value of the dollar currency is for the benefit of the export-led Chinese economy. More depreciation may well not just devastate the foreign exchange reserves of China due to, again and again, holding its assets in reserve in US dollar assets, considering the fact that selling treasure bills will decrease the price value of bills and bonds, but decrease the yield certainly, cheapening Yuan may lead to the acceleration of foreign exchange flight.



U.S. Debt: The Big Picture

The United States federal debt currently sits at \$22 trillion, and it's held by a range of domestic and foreign investors.

Entity	Debt Holdings	Share of Total
U.S. Government and Federal Reserve	\$8.1 trillion	36.8%
Foreign and international	\$6.3 trillion	28.5%
Mutual funds	\$2.06 trillion	9.4%
Pension funds	\$0.92 trillion	4.2%
Banks	\$0.77 trillion	3.5%
State and local governments	\$0.69 trillion	3.1%
Other investors	\$3.18 trillion	14.5%
Total	\$21.97 trillion	100.0%

Low labour cost together with the scale of economics based on the model of producing more to decrease the cost of per unit of production let China enjoy strong competitive power in international market, trade surplus, and most significantly it is the low labour cost and less valuable RMB attracted the inflow of foreign direct investment. The puzzle for China is how to redress the trade balance without affecting too much the US currency.³⁰

More specifically, depreciated dollar is good for China, but too much decrease in the dollar value will hit the assets most of which invested in US dollar denominated assets like treasury bills.³¹ If USD gets appreciated against RMB, that means exchange rate of the US dollar increase against RMB, Chinese exports and inflow of foreign investment will increase. Again, the puzzle is to determine how much depreciated dollar is good for China. Under the trade war, the exchange rate became a great puzzle for China due to pressure by the Trump administration to reevaluate Yuan.³²

“The Trump administration has been complaining that trade with China has been functioning for a long time at the expense of American interest. That’s why, it imposed certain number of tariff rates on Chinese goods imported by the USA from China. American concern is whether China might opt to weaponize its US treasury bills (approximately \$ 1,1 trillion worth)- Table in direct retaliation against the tariffs by the US on Chinese goods since selling

³⁰ Abigail McWilliams and Donald Siegel, “Corporate Social Responsibility: A Theory of Firm Perspective”, *Academy of Management Review* 26, no.1 (2001): 117-127.

³¹ Chong-En Bai et al., “Multitask Theory of State Enterprise Reform,” *Journal of Comparative Economics* 28, no. 4 (2000): 716-738.

³² Chong-En Bai, Jiangyong Lu and Zhigang Tao, How does privatization work in China? *Journal of Comparative Economics* 37, no.3 (2009): 453-470.



assets will likely to destabilize world financial market, but especially drive interest rates up on everything from corporate bonds to homeowners' mortgages. In addition to dramatic increase in the cost of borrowing for the US government, unemployment will increase under high interest rate pressure on either international or American domestic market.³³ "We may well observe erosion of global investor's confidence in the US dollar which is still the top reserve currency in global economic system as can be seen in table x that US is the strongest currency in the composition of FX reserves. Depreciation of the value of dollar against RMB may well lead to the situation in which China may well lose the financial power of its foreign exchange reserves, more than 60 % of which composed of US dollar-denominated assets and treasury bills."³⁴

By some investment channels, China wanted not only to manage its foreign exchange reserves efficiently through diversifying its US dollar-denominated assets, majority of which is US treasury bills, in its reserves, but also incorporate itself into global competition.³⁵ In a broad approach, for Chinese internationalisation strategy, it has great significance and essential to acquire more advanced foreign technologies, R&D foundations, managerial know-how, network of distribution, and brand new names in the industrialized, advanced core states.³⁶ For such a purpose, the United States has always become ever most attractive state for China. It had already entered into transnational (multinational) joint ventures and M&As and green-field investments with Western multinationals within China before commencing the overseas expansion.³⁷

"Serving the Belt and Road Initiative (BRI) and "going out" strategy of the SOEs was supposed to be achieved through mergers which were to provide financial resources for overseas M&As and R&D. The merger of China CSR Corp and China CNR in 2015 is one of the most significant examples for M&As. Before 2000, they belonged to one company that was China National Railway Locomotive and Rolling Stock industry Corporation."³⁸

³³ Robert Cox, "Gramsci, Hegemony, and International Relations: An Essay in Method," 57–58.

³⁴ Robert Cox, "The Way Ahead: Toward a New Ontology of World Order," in *Critical Theory and World Politics*, ed. Richard Wyn Jones (Boulder, CO: Lynne Rienner Publishers, 2001): 50.

³⁵ Donghua Chen, Ming Jian and Ming Xu, "Dividends for tunneling in a regulated economy: The case of China", *Pacific-Basin Finance Journal* 17, no. 2 (2009): 209-223.

³⁶ Alfredo Saad-Filho and Alison J. Ayers, "Production, Class, and Power in the Neoliberal Transition: A Critique of Coxian Eclecticism," in *Gramsci, Political Economy and International Relations Theory*, ed. Alison J. Ayers (2015), 121.

³⁷ *Ibid.*, 125.

³⁸ Jonathan Anderson, "Is China Export-Led?," USB Investment Research, USB Securities Asia, 2007, http://www.allroadsleadtochina.com/reports/prc_270907.pdf.



“In September 2000, the State Council decided to split this company. However, due to price wars between both CSR and CNR urged China to merge them into one company (CRM (China Railway Material) to increase competitiveness of Chinese highspeed trains in the international market, and to prevent loss of revenue due to the price wars as experienced in 2011 when a South Korean firm managed to grasp the Turkish contract for Istanbul Metro.”³⁹

Initial Public Offering (IPO) is another strategy for China in the United States. Some Chinese companies began to go public to raise capital in hard currency and recreate a positive international image. By the end of 2006⁴⁰, 43 Chinese companies (SOEs) have already been listed on NASDAQ and 26 of the Chinese giant companies on the NYSE, apart from the 426 of them were on the list in Hong Kong.⁴¹ Moreover, three Chinese companies which are Qiao Xing Mobile, Acorn International as producer of Television and LDK solar as a manufacturer of solar panel, in total raised \$ 1 billion in the United States by going public (IPO).⁴²

“In 2002, the China National Offshore Oil Corporation managed to become the biggest and the largest foreign oil producer in Indonesia after its takeover of Repsol Indonesia for about US\$585 million. In 2016, China achieved to become the major investor in Africa, which means to make up 39 percent of global investment inflows into Africa.”⁴³

“As of accession to the World Trade Organization in 2001, China eased restrictions on overseas expansion by the “going out” strategy particularly via the State Administration of Foreign Exchange (SAFE) as of April 2006.”⁴⁴ “SAFE expanded more the range of investment-abroad channels for both domestic institutions and Chinese citizens to let them purchase, acquire assets abroad without prior approval. The bureaucratic procedures to purchase foreign currency via domestic (state-owned) commercial banks and controlling outflow of capital have

³⁹ James Crotty, “Structural Contradictions of the Global Neoliberal Regime,” paper presented at Union for Radical Political Economics at the Allied Social Science Association meetings, Boston, MA, (January 7–9, 2000), 2.

⁴⁰ More see; by 2005, the distinction between FCs and NFCs, both in terms of strategies of accumulation and reliance on globalized chains of productions and finance had become indistinct at best. As Greta R. Krippner notes in her analysis of American corporations, the two kinds of corporations had effectively merged into a single form with a global reach. See Greta R. Krippner, “The Financialization of the American Economy,” *Socio-Economic Review* 3, no.2 (2005): 173–208.

⁴¹ Franklin Allena, Jun Qian and Meijun Qian, “Law, Finance, and Economic Growth in China”, *Journal of Financial Economics* 77, no. 1 (2005): 57.

⁴² Pingyao Lai, “External Demand Decline-caused Industry Collapse in China,” *China and the World Economy* 18, no.1 (2010): 55.

⁴³ Ibid.

⁴⁴ Fulong Wu, “How Neoliberal is China’s Reform? The Origins of Change during Transition,” *Eurasian Geography and Economics* 51, no. 5 (2010): 624.



been simplified.”⁴⁵ “Thus, under the control of the State Council, the SFEIC, which is established on the model of Singapore’s Government Investment Strategy (GIC) on 16 March 2007”, is expected to improve the yield of China’s very huge foreign exchange reserves. “Like GIC, the portfolio of Chinese SFEIC composed of variety of such sectors as transportation and logistics, media, resources, infrastructure, technology and engineering, healthcare and bioscience and so on.”⁴⁶

Simply, China transferred up to \$ 250 billion from the foreign exchange reserves into the SFEIC to promote outward, or international, investment. Practically, SFEIC issued USD and RMB bonds to buy foreign exchange funds from the central (and commercial) banks to be used for investment abroad. In China the state is to be regarded as the de facto guarantor for the bonds.

Another Chinese state-owned investment company to strengthen the investment channels was set up in 2003, which is the Central Hujin Investment. It is as the biggest shareholder of the four commercial banks has been acting as the investment arm of the Central bank, and injected in 2005 \$60 billion into these four leading Chinese commercial banks. Thus, while Central Hujin Investment began to improve balance sheet of commercial banks, the SFEIC has been acting as a company to create fund for outward investment for Chinese companies and individuals.

“All these international investment strategies via new investment vehicle like the SFEIC are to save China from the constraints of the puzzle of whether selling China’s US treasury bonds on the US free market, or transferring reserves by such investment vehicle as the SFEIC on strategic assets like natural resources, for instance.”⁴⁷ Everything is to increase the profitability of foreign exchange reserves of China through diversifying the assets of China’s foreign exchange reserves since any more depreciation of the US dollar will eventually damage the value of reserves beyond enjoying balance of payment surplus.⁴⁸

⁴⁵ Wang Hui, “The Historical Origin of China’s Neo-liberalism,” in *The Chinese Model of Development*, ed. Tian Yu Cao (New York: Routledge, 2005), 74–75.

⁴⁶ Alvin Y. So, “Beyond the Logic of Capital and the Polarization Model: The State, Market Reforms and the Plurality of Class Conflict in China,” *Critical Asian Studies* 37, no.3 (2005): 481–494.

⁴⁷ David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), 121–135.

⁴⁸ Takeshi Jingu and Tetsuya Kamiyama, “China’s Private Equity Market,” *Nomura Capital Market Review* 11, no.3 (2008): 24–39.



Until 1990s, the availability of foreign capital in hard currency was a constraint upon the acquisition for China. As state-owned Chinese corporations began to go public in Hong Kong and New York, the amount of the hard currency began to increase dramatically, and such situation gave China opportunity to undertake acquisitions. For instance, Repsol Indonesia was purchased by \$ 585 million, which made China (the China National Offshore Oil Corporation) the largest and biggest foreign oil producer in Indonesia in 2002.

By “going global” strategy, China explored new investment opportunities in a range of industrial sectors all over the world, and manage to strengthen its economy by increasing its influence abroad.⁴⁹ Foreign direct investments mostly go to developed countries, and construction contracts like agriculture, real estate, logistics and transportation, energy, entertainment focused on underdeveloped and developing parts of the world in brief.⁵⁰ From 2005 to 2017, low and middle-income and developing economies received about 84 percent of the \$734 billion, which was expended by China on construction projects across the globe.⁵¹

“In contrast, high-income, advanced states – particularly those in North America and Europe – obtained about 65,6 percent of Chinese FDI from 2005 till 2017. The US is the most significant destination for Chinese FDI in the world, attracted \$14, 9 billion or 14 percent of all Chinese investment in 2018. In the same year, according to the statistics, roughly 23, 3 percent of Chinese FDI flowed into Asia and Oceania (Australia)52.54, 54 % of the Chinese ODI in 2018 was made in the US and the Europe in total in 2008.^{53”}

⁴⁹ Michael Webber, “Re-emerging China and Consequences for Economic Geography,” *Eurasian Geography and Economics* 51, no.5 (2010): 583–599.

⁵⁰ Walder, Andrew, “Wage Reform and the Web of Factory Interests.” 23-41.

⁵¹ Furthermore, growing out of the Plan: China's Economic Reform 1978-1992 (Cambridge, UK: Cambridge University Press, 1994), forthcoming.

⁵² China's 2019 foreign direct investment grew most in two years, but outbound investment fell 6 per cent foreign direct investment (FDI) in China in 2019 rose 5.8 per cent from a year earlier to 941.5 billion yuan (US\$137 billion). China's outbound direct investment (ODI) declined 6 per cent to 807.95 billion yuan (US\$118 billion).

⁵³ Naughton, Barry, “Hierarchy and the Bargaining Economy: Government and Enterprise in the Reform Process.” 56-75.

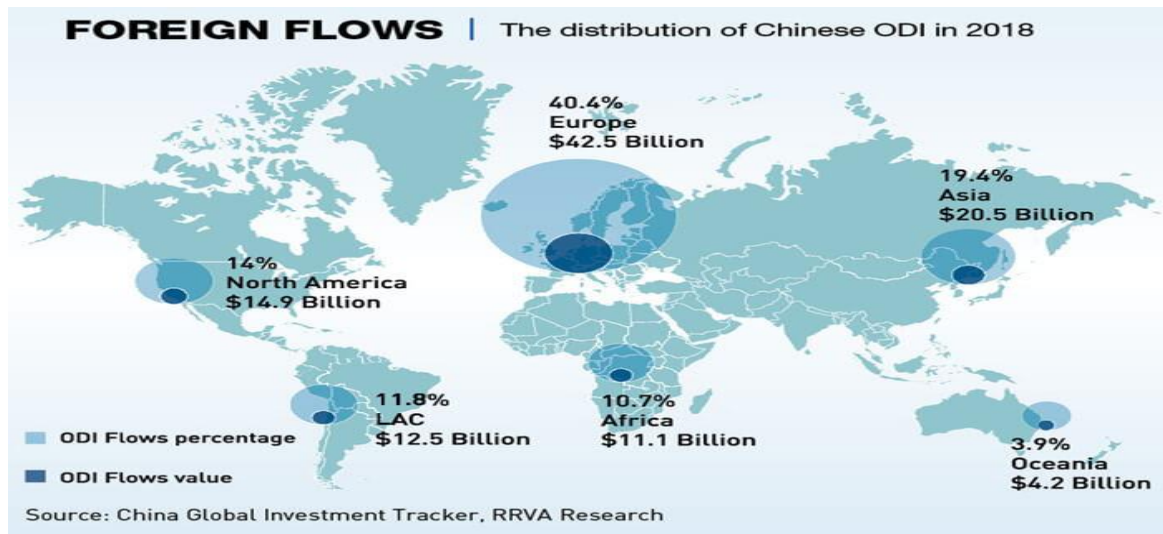
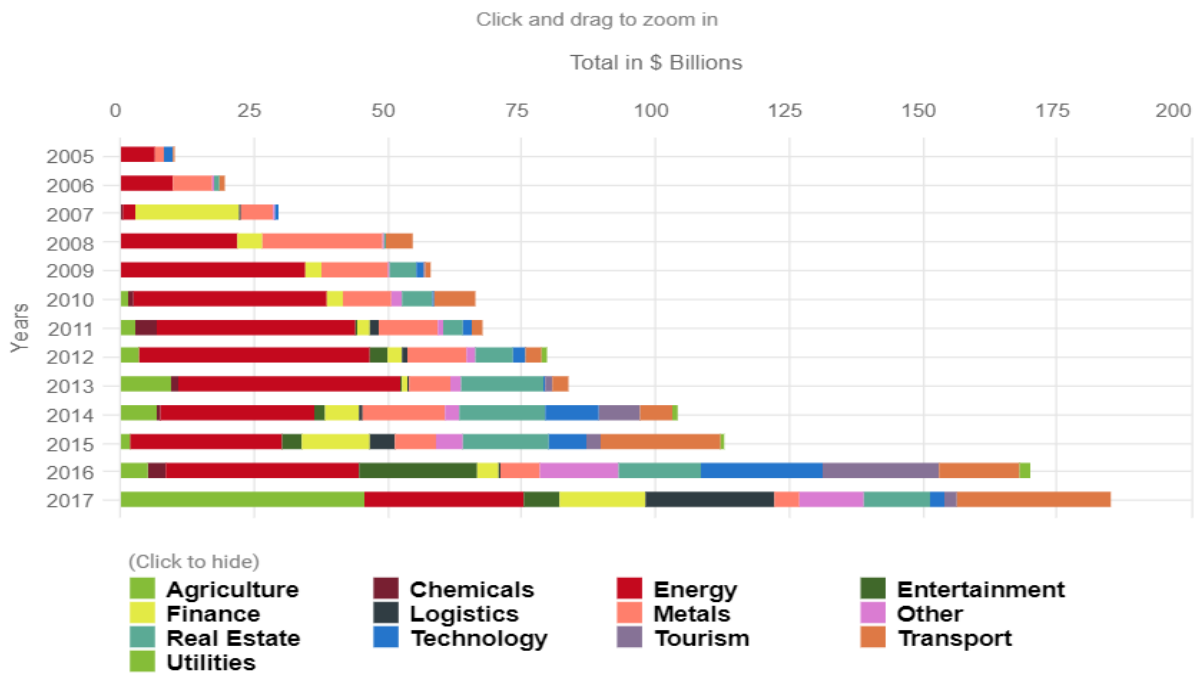


Table presents Chinese outward investments (ODI), or FDI abroad, breakdown by sector from 2005 till 2017.

Chinese Investment Breakdown by Sector: 2005-2017



CSIS China Power Project | Source: American Enterprise Institute and Heritage Foundation, China Global Investment Tracker

Chinese enterprises have been in constant increase by their technological enterprise in Southeast Asia, Africa, and Latin America and the Caribbean (LAC), more specifically by its supplying local markets with cheap products compatible with local demand and their purchasing power. Apart from all those developments, in 2016, China was the largest investor



in Africa by \$ 11,1 billion, making up 39 percent of global investment inflows in total. China's loans to Africa have been in steady increase as indicated by the Table.

“All impressive developments about outward investment of China have happened to be in the context of an economic system to be named as centralised political control, or to be regarded as the domination of state ownership.”⁵⁴ It is observed that the West has always been reluctant to open up their markets to the Chinese state-owned SOEs due to lack of their transparency. Protectionist behaviour by the US and growing pressure on China to reevaluate the RMB during the intensifying trade war in the pretext of imposing tariff rates have been negatively affecting the global economy.

5. Incompatibility of Chinese Counter Hegemony with That of Western Global Hegemony

Marxist scholars were excluded from mainstream international relations theory. Before 1970, it actually made significant explorations against epistemological and ontological stance of the IR main theories which is named as problem-solving theories. With the rise of international political economy as of 1970s, Marxists approaches of critical theory managed to draw attentions, among which the neo-Gramscian school was able to receive relatively more attention with Cox's prominent writings in early 1980s. He attempted to apply Antonio Gramsci's concept of hegemony on international relations. This paper has the objective of focusing on the very dynamic nexus between world order and counter hegemon China within the framework of neo-Gramscian approach. Since mainstream theories do have explanations only for particular period of history, it is supposed by this paper that neo-Gramscian which focus on the historical dynamics in a broad perspective in the context of reciprocal, dynamic and dialectical relationship between three such elements as ideas, material capabilities and institutions as configuration of forces to figure out the segments – social forces, form of state, world order- in the historical structure which unfolds the movement toward hegemony.

In brief account, Cox's objective by the method of historical structure is to make elaborations about society, state and world order. Considering the global civil-society which had formed the state as a hegemon within national borders before moving beyond the political borders, international political economics also deals with the concept of transnational social forces, by critical stance, who built the international political economic order as of the end of

⁵⁴ Robert C. Miljus and William M. Moore, “Economic Reform and Workplace Conflict Resolution in China,” 49-59.



the Second World War. Gramscian school became successful to merge analytical approach toward modes of production with complex social relations.

“Hegemonies are founded by powerful states which had experienced all-throughout social and economic revolution in domestic realm. Revolution modifies the internal political and economic structures of the state, and the energy out of this revolution forming the state moves beyond the state boundaries in search of new markets.”⁵⁵ Thus, national hegemony, which is established by dominant class, within the state turns out to be, by outward expansion, world hegemony. Thus, institutions, the culture (idea) and the technology to be associated with the national hegemony inevitably become a pattern for emulation abroad.

“The negative impact of the expansion of world hegemony on the periphery is also the passive revolution which is due to failure of eliminating old order, achieving political and economic revolution to gather popular support from the bottom due to lack of social relations, as mentioned in detail previously.”⁵⁶ Without breaking down the old order, incorporating elements from the Western world hegemonic model will just lead to unproductive revolution called passive revolution.⁵⁷ The hegemonic world order is not only about the regulation of inter-state conflict, but a globally conceived civil society, since the social force within the nation hegemony, after forming the state as hegemon, now manages to have strong voice in the world by penetrating into the Third World countries.⁵⁸ They are now transnational social force within a global economy with a (dominant) mode of production under their control, and they do penetrate into and the peripheral countries by linking them into world capital system, to be sure at the expense of periphery.

At the first segment, form of state, China by means of reforms, managed to become giant power, which evoked great concern in the west in the context of material capability. The idea out of the China’s centralized planning system is socialism which also created inevitable concern for democratic Western nations considering the authoritarian regime in domestic politics. “Its initiatives by BRICS founded in 2006 and BRI (the Belt and Road initiative), and also attempts to become game changer in the G20 also became a profoundly disturbing action

⁵⁵ Paul Milgrom, and John Roberts, “Bargaining and Influence Costs and the Organization of Economic Activity.”

⁵⁶ R. Preston McAfee and John McMillan, “Organizational Diseconomies of Scale.”

⁵⁷ Chen Kuan et al., “Productivity Change in Chinese Industry: 1953-1985.”

⁵⁸ William Byrd, “Contractual Responsibility Systems in Chinese State-Owned Industry.”



for the West.”⁵⁹ The second segment, social forces, is made up of those under state control like the SOEs even though some investment firms are established to promote privatization and expand channels to “go beyond” by using its material capability that is foreign exchange reserve surplus. Idea composed of two groups. The intersubjective meaning, which was actually perfectly conceptualized by Alexander Wendt, for Cox is simply sharing common values in social relations. Common values emerge out of intense social relations and made up by participants. The other is collective meaning which implies all kinds of views about the legitimacy of the power relations. Even though there are still unsettled disputes among scholars considering the 11 September and 2008 financial crisis apart from the ongoing disputes over the Cold War institutions during the so-called declining US global hegemony, the western hegemony, either from within or from without the national border, worked out the consequences of political and economic consequences of social revolution in the form of state and of social relations, China has lacked such a social revolution. The intersubjective meaning and collective image within China were settled de facto to be frankly.

China still controlling intensively SOEs has been attempting to realize transformation of its economics, by means of “renewed mixed ownership” as of 2013, from an investment-driven export economy to an innovation-led economy. “The trade war of 2018 coincides with Chinese state objective of “Made in China 2025” implying that for China “new engines of growth in higher value-added industries will be increasingly more technology- and knowledge-intensive, placing a high premium on effective innovation and investment in education and research and development.”⁶⁰ “This development is a challenge to the neo Gramscian approach in which Cox claims that (Western) national hegemony, which is established by dominant class, within the state turns out to be, by outward expansion, world hegemony.”⁶¹ “Thus, institutions, the culture (idea) and the technology (material capability) to be associated with the national hegemony inevitably become a pattern for “emulation” abroad. The negative impact of the expansion of world hegemony on the periphery is also the passive revolution which is due to failure of both eliminating old order and achieving to work out the consequences of political and economic revolution to gather popular support from the bottom due to lack of social

⁵⁹ Jenny Chan, “Meaningful Progress or Illusory Reform? Analyzing China’s Labor Contract Law,” *New Labor Forum* 18, no.2 (2009): 43–51.

⁶⁰ Statistical data available from the IMF World Economic Outlook database, <http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx>.

⁶¹ Richard C. Bush, *Untying the Knot: Making Peace in the Taiwan Strait* (Washington D.C.: The Brookings Institution, 2005), 161-162.



relations.⁶²” From the literature, we can read there are still tunnelling behaviour and managerial entrenchment in the executive board of the SOEs in China even though China put in motion some reforms to arrange “internal governance” to increase and promote efficiency of them. Passive revolution due to lack or nonexistence of organic intellectual bond to realize consent-driven hegemony fell short to set up a new historic bloc. Chinese counter hegemony, in accordance with the conceptualizations by Robert Cox, can only lead to the world order of non-hegemony as experienced, according to Cox, between 1875 and 1945 when the Great Britain was challenged by other states. “Moreover, the balance of power was broken into pieces, and free trade was replaced and supersede by protectionism as the gold standard was abolished and the world economy was drawn into economic blocks until the third period (1945-1965).”⁶³

In brief, by passive revolution, specific interests cannot be transformed into labour class consciousness under strict state control, which is a precondition to reach consent-oriented harmony between superstructure and structure. For Cox, hegemonic structure is to be for the incorporation of collective image-driven ideas into ideology which is expressed in universal terms. Thus, China actually failed, in neo-Gramscian approach, to set up a new hegemon bloc within its borders, and just attempting to move beyond its political border by centralized socialist planning system without achieving consent (legitimacy). More specifically, by transformismo, to protect socialist form of state, China, with stick and carrot methodology, has always been co-opting, assimilating and most importantly domesticating any potential conflictual ideas by adjusting to the interests (policies) of the elite (dominant, traditional) socialist ruling class to sustain old order.

Without breaking down the old order, incorporating elements from the Western world hegemonic model will just lead to unproductive revolution called passive revolution. The hegemonic world order is not only about the regulation of inter-state conflict,⁶⁴ but a globally conceived civil society, since the social force within the nation hegemony, after forming the state as hegemon, has managed to have strong voice in the world by penetrating into the Third World countries. They are now transnational social force within a global economy with a

⁶² International Monetary Fund, World Economic Outlook (October 2010), 72, <http://www.imf.org/external/pubs/ft/weo/2010/02/pdf/text.pdf>.

⁶³ Antonio Gramsci, *Selections from the Prison Notebooks* (London: Lawrence and Wishart, 1971), 5-7

⁶⁴ Liangwei Hu, “The Basic Features and Challenges of Cross-Strait Relations in the New Era”, *American Foreign Policy Interests* 32, no. 1 (2010): 7.



(dominant) mode of production under their control, and they do penetrate into the peripheral countries by linking them into world capital system, to be sure at the expense of periphery.

This paper has the objective of reading China's counter hegemonic challenge against the Western global hegemony from the perspective of neo-Gramsci. Thus, the article has the aim of presenting incompatibility between the West and China in the context of dynamic nexus between China and the world order through making an objective reading on neo-Gramscian approach. The analytical unit in this article is the state as a core actor of global governance. The critical theory stood against the epistemological and ontological convictions began to break the boundary of traditional international relations in terms of the analytical unit and analysing the global governance since the state is no longer a single actor. Intergovernmental organizations (IGOs), non-governmental institutions (NGOs), multinational corporations, and civil society began to play essential roles about influencing global matters.

By such new actors which came on stage in global issues with the involvement of new subjects transcending beyond the political borders like climate issues, terrorism, integrated economic independence-driven free market economy (traditional level of analysis, individual, state and international system), IR theory, free from the assumptions of problem solving theories, was supposed to be reconstructed by analytical analysis of the nexus among hegemony, global governance and world order in the context of international political economy.

The contemporary challenge against the western global hegemony has been stemming from the question of collective image, which is simply about the legitimacy. Robert Cox does not consider himself as Marxist, but dominant power of those who controls the modes of production and the superstructure which domesticate, co-opt and assimilate any conflictual ideas were merged for the purpose of efficient analysis of level to figure out the hegemony and world order. The West to full extent managed to cope with the consequences of political and economic consequences of revolution, but the situation functions in different way if the Third World matters: "Western national hegemony, which had been founded by dominant class, within the state turns out to be, by outward expansion, world hegemony. Thus, institutions, the culture (idea) and the technology to be associated with the national hegemony eventually become a pattern for emulation abroad. The negative impact of the expansion of world hegemony on the periphery is also the passive revolution which is due to failure of eliminating old order, inability to achieve political and economic revolution to gather popular support from



the bottom due to lack of social relations.”⁶⁵ After forty years of passing through reforms, China with the motto of “Made in China 2025” began to save itself from emulation, and move toward innovation-oriented economy.

6. Conclusion

Today, the global order has been under ever profound and certain absence of central authority, which simply means anarchic international system, due to relative collapse of the US hegemony. Considering the institutions of the Western hegemony, which are IGOs and NGOs; international rules and laws; international norms in the field of human rights and environmental protection; international regimes; ad hoc agreements such as G7/8 AND g20, world summits like Davos; private institutions like Moody as credit rating agencies, China has a long way to go to build a hegemony, leave aside absence of organic intellectual class for the sake of harmony between superstructure and structure within homeland.

Robert Cox perfectly illustrates international institutions which was considered to be the mechanisms of hegemony, as follows: they involve rules and norms to facilitate and promote the power of hegemonic world orders, and they are, as the natural product of hegemonic world order, ideologically legitimize the rules and norms of the contemporary world order apart from absorbing any challenging counter-hegemonic ideas or attempts. Under all those assumptions of neo-Gramsci, China has so far only justified and made contribution into a non-hegemon-oriented world order in this anarchic international system. The western hegemonic world order is not just an order in which powerful state does exploits the subordinate one, but an order in which peripheral states find compatible the ideas of the power state with their interests. Therefore, such a world order is hardly considered in terms of interstate meanings. Namely, Western global hegemony is not solely founded on regulating inter-state conflicts.

Cox achieves to take our attention on global civil society which transcends beyond national borders as transnational forces who established complex integrated international system. However, Gramscian concept of transformismo teaches us that global civil society can make concessions by negotiation with the rising power (read China) to keep its global power maintained and consolidated. It will not be a prejudgment and oversimplification if we take Coxian understanding about such concessions that China want to use its economic power

⁶⁵ Stephen Gill, *American Hegemony and the Trilateral Commission* (Cambridge: Cambridge University Press, 1992), 47-55.



material capacity) as a political leverage, or as a bargaining power, to re-order the contemporary world order. The history of concession and negotiation dates back to the détente period which began during the Nixon Administration by the “Ping pong diplomacy” of 1971 to exploit the opportunity emerged out of Sino-USSR conflict in 1969. In 1970s, China began to pass from the war of movement, which based on Mao’s goal for the transformation of world order within fifty years or a century lasting period of time through hard power-oriented world revolution like its support of Vietnam, to the war of position, which based on the objective of integration with the western dominated global world order through consent-driven negotiations.

Domestically, China further promoted the integration by the reforms so called Deng Xiaoping’s “opening-up policy” of 1978 to reorganize mode of production, the ownership and the authority as an internal arrangement of the SOEs. Briefly, rapprochement and reconciliation period, for which the turning period was the admission of China into the United Nations as a member in November 1973, between China and the US began in 1972, which promoted the idea in China that USSR was constituting relatively more danger than the US. From 1978 till 2001 when China became the member of the World Trade Organization (WTO), China has paved the way to share convergence through international institutions within the complex and interdependent global economic system.

Last but not least, the world order with the rising power of China has been passing through a period between world re-order and new world order, politically since 11 September, and in economic terms since 2008 the Mortgage crisis. Having read in detail carefully what Cox has written in his two groundbreaking articles, we may conclude the paper that in terms of mode of production and social relations, it is not either a matter of inter-state related conflict of interest or hard talk between the US and China, but just a matter of political-driven economic struggle under the pretext of the hegemonic war (read intensifying trade wars since 2018) between China and the United States of America to change the address of the headquarter of hegemony. It is too early assumption by making such a claim that China has been moving away from passive revolution since it has been playing the rules, no matter it is now proceeding proactive foreign policy as a rule-maker or a game changer without disturbing international regime, within Western-oriented ideas (shared norms and rules justifying actually legitimacy) and western institutions. Since, we cannot ensure a tangible assurance for future behavior of any state as John Mearsheimer claimed, it is up to the political stance of the readers, who are interested in identifying the dynamic nexus between China and world order, to assume China as either a



“system vindicator” or “system revisionist” for the purpose of re-ordering the contemporary global governance in the long term through its material power, idea, and institutions. The final statement of the paper corresponds with the Coxian thought that, the first and foremost point is to pay attention on the point that the task for changing the world order starts by long term laborious struggle to establish a new historic block which is the precondition to realize hegemony within national borders. From this approach, we can observe incompatibility in the dynamic nexus between China and the western hegemony-driven world order, considering each segments of the historical structures- social forces, form of state, world order.

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