

Understanding International Economic Institutions and China through Uneven and Combined Development

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ABSTRACT

For many decades, we are witnessing the economic rise of China and the increasing integration of China into existing international economic institutions. However, this paper argues that prevalent international relations theories are insufficient to explain this conjuncture of international political economy. Instead, this paper proposes the theory of uneven and combined development (UCD) to further integrate the international dimension of historical unevenness that is resulting from the historical conditions of global capitalism. The argument of this paper proceeds in two steps: First, the liberal, realist and orthodox Marxist theories' analytical assumptions are discussed to understand the rise of China and its integration into international economic institutions, mainly the World Trade Organization. Second, the UCD theory is applied to reveal historical unevenness and intersocietal interactions through global capitalism. It is argued that the historical unevenness both determined the integration of China into international economic institutions and has caused instability within global capitalism through the trade war between US and China.

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Introduction

The international economy constitutes one of the pillars of contemporary international relations and one of the most discussed subjects regarding world society. The norms of international trade, exchange of capital, services, and goods between countries, in the contemporary world are formulated alongside five main characteristics: non-discrimination, reciprocity, transparency, fairness, and liberalization (Holsti, 2004, pp. 228-230). These norms are assumed as regulatory rules for trade agreements and tariffs between countries. They include the neo-classical economics hypothesis that free trade between independent actors could favour both sides by improving economic conditions and, followingly, social and political conditions of societies (Holsti, 2004, p. 230). Many theoreticians in the literature of international relations, especially the branches of liberalism and neoliberalism, claimed that rather than "high politics" (the nexus of politics and security), "low politics" (the nexus of economy and culture) constitutes "complex interdependence" between countries (Jackson & Sørensen, 2013, p. 107), peace is more likely when interdependence through international trade achieved, and democracy constitutes the precise example of the regime with checks and balances, reciprocal economic, political and social interests through international institutions, and liberal values can outweigh Hobbesian anarchy in international relations (Oneal et al., 1996, p. 24).

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However, approaches of liberalism and neoliberalism are heavily criticized by different scholars within the international relations literature. One of the most important scholars of neorealism, Kenneth Waltz, argued that the assumption of liberalism and neoliberalism, which claims that greater interdependency could bring peace and stability is illusory because more interdependence can only bring more ground to fight (Waltz, 1998, p. 374). Also, Waltz claimed that theories in the international relations literature up to now simply omitted many important aspects of phenomena for the sake of simplification and called for a broader theory that could bring “both international and domestic, both political and economic matters... to understand or explain anything” (Waltz, 1998, pp. 379-380). Moreover, Neo-Marxists in dependency theory and world-system analysis (WSA) makes another intellectual critique group in the literature. Even though the dependency school and WSA brought irrefutable aspects to the literature, this paper argues that these two schools of thought cannot also escape being unilinear by incorporating “modernization theory,” reproduces the innate “methodological nationalism” of social sciences and cannot constitute an example for Kenneth Waltz’s calls to a broader, international theory. Apart from the claimed theoretical shortcomings of these theories, this paper argues that Leon Trotsky’s uneven and combined development (UCD) theory and the following formulation of the theory by several international relations scholars can give an increased analytical capacity to understand the framework of international institutions in the contemporary world. These arguments will be discussed in the framework of the People’s Republic of China’s (China) accession to the World Trade Organization in 2001, and the ongoing trade war between the United States of America (US) and China will be discussed in the framework of UCD to employ a broader international theory that combines both domestic and international in the analysis. Therefore, the paper will follow the line of this research question: Could uneven and combined development theory explain the position of international economic institutions in the case of “the rise of China” and the US-China trade war?

Theoretical Underpinnings

In this section, the theoretical perspective of this paper will be discussed. First, the concept of methodological nationalism will be explained and situated as the central problematic feature of prevalent social theories. Second, the theory of uneven and combined development will be examined as an alternative theoretical perspective to overcome the theoretical impasse.

Methodological Nationalism

Andreas Wimmer and Nina Glick Schiller (2002, p. 302) claimed that the social sciences, from its foundation, were innately shaped by the emergence of nation-states and perceived the nation-state as the natural form of social and political organization and unit of analysis in the contemporary world. As Theda Skocpol (1994, pp. 44-45) puts it in her seminal work’s *Wanted: An intersocietal perspective* section, every society is susceptible to “foreign influences,” and these influences are far from being “fortuitous;” hence, what is needed is a theoretical switch from modernization-based theories that treat social change as a unilinear, necessary, directional phenomenon to a theory that analyses social change through social, political and economic interactions between societies. Methodological nationalism of social sciences conceptualizes societies as self-contained, isolated units of analysis, and social change should be mainly analyzed by the lines of domestic developments; in that analysis, external factors or intersocietal influences and relations, to put it right, can be “secondary value” analytical tools. However, building theories around innate methodological nationalism limits the theoretical capacity of analyses and creates epistemological boundaries to reach broader theories. It is possible to argue that Kenneth Waltz’s (1998, p. 374) call for a broader theory overlaps with the critique of methodological nationalism in social sciences.

As Wimmer and Glick Schiller (2002, p. 3003) put it, the Marxist traditions in social sciences, especially world-system analysis gave some analytical, methodological tools that can go beyond methodological nationalism by focusing on capitalism as a global system that can work on an upper level of national domestic politics by constantly reshaping it and influenced by it; however, the analysis of core, semi-periphery and periphery nations still includes the analytical lines of modernization thesis that endorses a unilinear development line. International relations theories took the nation-state as the main unit of analysis and assumed that focusing on the nation-state would be adequate to understand the international phenomena; likewise, post-World War II theories, world-system analysis in that case, also emphasized the centrality of the nation-state and process of nation-building by incorporating colonial and decolonial processes to their analysis (Wimmer & Schiller, 2003, p. 580).

It is argued that the uneven and combined development theory holds an overarching theoretical capacity to explain many issues that do not seem logical at first glance and have the capacity to go beyond methodological nationalism by incorporating a new social theory not only in international relations but to various fields of social sciences.

Uneven and Combined Development

The Bolshevik revolutionary Leon Trotsky (2017, p. 13). first mentioned the uneven and combined development to explain the peculiarity of the Russian Revolution, which happened in a mostly feudal society with capitalist characteristics. The Russian Revolution was particularly peculiar because, in the classical Marxist analysis, the socialist revolution would follow a road map: the revolution would occur in places where capitalism is in its most advanced form with a larger proletariat, and England was the precise example of this most advanced capitalist nation in the time of Karl Marx; hence, Marx developed his analysis by observing class relations in the most “locus classicus” (Marx, 1982, p. 90) example of the capitalist mode of production: England. Therefore, Marxist revolutionaries and theoreticians were expecting socialist revolutions in western Europe, particularly in England and Germany in the nineteenth and twentieth centuries, where capitalism was the most advanced and the class struggle was visible. However, in 1917, the first-ever socialist revolution happened in semi-feudal czarist Russia.

Marxism portrays a unilinear historical path when analyzing societies and conceptualizes development through history as “historical materialism.” According to that, material conditions are direct determinants of the history and societies’ mode of production; humans first organized in tribal forms with primitive accumulation that requires greater cooperation between members, then through the accumulation of capital, the elites or aristocrats emerged, and slave societies are formed, then aristocrats became the ruling class in the feudal societies with smaller bourgeoisie, and followingly, through a bourgeois revolution the capitalist class takes over the control of the state, and as the final step, capitalism will be replaced by a socialist revolution that brings proletariat as the ruling class to abolish the class struggle and exploitation in favour of the proletariat (Marx, 1982, pp. 873-876). Marxism sees this road map as a universal law that applies to all societies since material conditions determine historical conditions. It is possible to say that Marxism shares the notions of progressive transition and unilinear progress of modernization theory, and the Eurocentric approach that generalizes European experiences of development and capitalism is innately embedded in the theory. Therefore, Marx “assumed that cultural differences and political boundaries between societies would ultimately become obsolete in the face of the self-universalizing force of capital” (Matin, 2013, p. 12).

However, Trotsky sees the historical development not as a unilinear line but as a phenomenon that includes unevenness and combined development together. According to Trotsky (2017, p. 14), *unevenness* is the most general law of history; there are several societies in the world, and stages of

development are different in every one of them due to the geographical distribution, availability of resources, and their historical background, however, the emergence of industrial capitalism in Western Europe at the eighteenth century radically changed the unevenness between nations and Western Europe became much more powerful when compared with the rest; also, these societies are not in isolation from each other, they interact with each other, influence others and obtain some features; *combine* already existed features with new features, create “an amalgam of archaic with more contemporary forms”.

Even though Trotsky develops his theory from within the Marxist analysis and historiography, his understanding of “historical development” differs from orthodox Marxism. Trotsky (2017, p. 15) challenges the idea of stagism that is embedded in all classical social theories, Marxism included and claimed that there can be intermediate steps in historical development and that any society can skip some steps according to its economic, cultural, and social capacity rather than the absolute necessity of following the historical pathway of development. According to Trotsky (2017, p. 16), the unevenness between countries produces the “whip of external necessity” for backward nations to catch up with more advanced industrial countries; however, imitation of external conditions, the gap, and the difference between domestic and foreign features both gives the possibility of skipping hundreds of years of research and innovation without having to go all the historical development to reinvent these, which Trotsky (2017, p. 15) named that as the “privilege of historic backwardness”, but at the same time it leads to different amalgams of backward and advanced features in a combined way in society. Through the uneven and combined development, czarist Russia by implementing capitalist development, was not becoming a replica of England, but the co-existence of multiple societies brought a different kind of society with semi-feudal characteristics that were combined with the modern industrial economy. However, as Justin Rosenberg (2016, p. 24) puts it, the elites of czarist Russia was not planning to become a Western liberal society like England, but they built a modern industrial economy in a feudal society to ensure their own survival against the intense competition by more advanced societies; therefore, a mode of production imported from a Western liberal society to be combined in an anti-liberal, feudal state, and a new type of society was the result of this combined development. Moreover, uneven and combined development in Russia shows more than a simple process of exchange between societies; capitalism merged with already existing social, political, and economic structures in societies and these imports led to the increasing integration of Russia into “a wider interconnected structure of capitalist world development,” and this interaction is reciprocal because the integration of Russia also reshaped capitalist world structure (Rosenberg, 2016, pp. 24-25).

According to Trotsky (2017, pp. 872-876), capitalism spread to other societies from its original place, and while it is becoming a global structure, capitalism combines with already existing structures in other countries and embeds unsteady amalgams such as Russia; hence, rather than, as orthodox Marxism claims, the whole world is not following the same path of same historical development, but by the new inclusions capitalism itself transforming to an interconnected, global amalgam. However, as an active participant and personage of a revolution, Trotsky had the goal of theoretical justification of the Russian Revolution and the possibility of further socialist revolutions in the world in his mind while formulating the UCD. He claims that uneven and combined development would lead to further interconnected, but unstable global capitalism and further revolutions in advanced societies would be inevitable. Nonetheless, as Rosenberg explicates, uneven and combined development can expand our analytical capacity to understand domestic and international phenomena and reciprocal relationships and interactions between societies through intersocietal relations. Therefore, the political anticipation of Trotsky will not be included in the paper, but UCD as the overarching theory of international relations and social change will be theoretically adopted.

The World Trade Organization, China, and Uneven and Combined Development

When the analytical line of Marxist analysis of international relations followed, it is possible to say that the international institutions, especially the economic ones, mainly reflect the hegemonic standpoint of the most powerful actors in the power relations in international relations. This line of arguments also overlaps with the analysis of uneven and combined developments since the world powers and early industrializing countries hold the most capacity to influence others and to project their power to international relations.

The People's Republic of China became a member of the World Trade Organization in 2001. The timing of China's accession to the WTO can be explained by the UCD. As Trotsky underlined while situating UCD to explain the timing of the Russian Revolution, a conjunction point of the historical unevenness plays a crucial role. In the case of the Russian Revolution, it was the conjunction of the most advanced, early industrialized countries in western Europe and a semi-feudal, absolutist state in Russia in the context of an ongoing global conflict, World War I. However, the accession of China to the WTO overlapped with the apogee of the rise of neoliberal economics, the massive economic deregulations tide of international trade and finance in the Global North, and the rise of the huge potential of available workforce and markets in the Global South, namely in China. This conjunction is highlighted by the ongoing digital revolution that mostly started in the Global North in the 1980s. This digital revolution is highly important for global unevenness because, as David Harvey (1990, p. 147) puts it, "time-space compression" brought the shrink of the decision-making process due to the enhanced capacity to communicate through satellites and internet connections and a global decline of transportation costs; these developments in the digital revolution gave global capitalism unprecedented flexibility and mobility to tear down organized labour force in the Global North by offshoring its production capacity to exploit the available massive workforce in the Global South.

The existence of international economic institutions at that conjuncture accelerated the pace of global interaction between different types of societies and economic systems. At that point, it is crucial to escape from seeing international economic institutions as economic tools of hegemonic powers of capitalism. As formulated, these institutions are clearly dominated by the most advanced capitalist countries since they have the most bargaining and decision power in the boards of management, but the integration of a new country into international economic institutions would produce reciprocal effects that would have a transformative capacity for all societies of the international economy. China's accession to the WTO is interpreted as the anticipation of the US, as the hegemon of the current system, to construct mutual interests between China and the US. Also, the integration of China, as a country that has a communist party as the ruling party, would lead to a further decrease in the authority of the absolute power of the Communist Party of China (CPC) and the transformative effect of the WTO and international trade with liberal markets would eventually trigger social and political movements that are willingly supporting openness, liberalism, and internationalization to change governance in China (Fewsmith, 2001, pp. 590-591). This line of argument clearly supports assumptions of liberal and neoliberal approaches by expecting a structural transformation in China since greater economic dependency would also integrate liberal norms and values that innately shaped the structural conditions of international economic institutions, namely the WTO. However, as argued above, this conjunction of unevenness led to further combinations in China, the Global North, and the WTO.

The accession of China to the WTO has transformative effects on its economy. From 2000 to 2007, China experienced a dramatic increase in its global exports, and China started to dominate some significant parts of the tech industry by becoming the largest producer and exporter of computers and microchips (Berger & Martin, 2011, p. 10). Before the 2000s, China was mostly an agrarian society

with some industrialization leaps; however, as Trotsky formulated in the “privilege of historic backwardness” and the “whip of external necessity”, China has a significant driving force catch and survived in the competition in global capitalism by importing elements of the current mode of production from advanced capitalist countries. Through the WTO membership, foreign direct investments to and exports from the Chinese markets to the global market became much easier due to the common trade and tariff rules. This also led to the further flow of financial, economic expertise, and technological transfers to the Chinese market combined with the huge available workforce of China due to its geographical, social, and political conditions.

Table 1. Exports of goods and services (US\$ billion) (World Bank, 2021)

	1990	1995	2000	2005	2010	2015	2021
China	45	132	253	773	1650	2360	3550
US	552	813	1100	1300	1860	2270	2540

In 1990, China’s exports were considerably lower than US exports, and China constituted 4% of global GDP, while the US constituted 22% (International Monetary Fund, 2023). However, as seen in Table 1, the increase rate of China’s exports dramatically changed in the 2000s with the accession to the WTO. China’s exports increased by more than three times in the 2000-2005 period. Chinese exports maintained their increase and surpassed the US to become the biggest exporter of the global economy. Moreover, China’s share of global GDP increased from 7% in 2000 to 19% in 2021, while the US constitutes 15% currently (International Monetary Fund, 2023). Due to the “privilege of historic backwardness” and its capacity to mobilize a huge pool of available workforce, China quickly took advantage of being an integral part of the global capitalist economy and became the leading exporter with accelerated industrialization. However, this economic transformation did not come with the same consequences as European experiences of industrialization and modernity. China did not experience any significant political liberalization while “authoritarian practices have grown intimately related to the development and success of capitalist social relations in the PRC (People’s Republic of China), and to the country’s global centrality as a production hub in the era of neoliberal globalization” (Gonzalez-Vicente, 2022, p. 3). But China’s accession to the WTO has also created effects for the other members.

Geographical offshoring of the production lines in the Global North led to the replacement of industrial sectors, a tide of de-industrialization, and a subsequent decline of manufacturing blue-collar jobs in the Global North. The WTO integrated China into global capitalism and accelerated the rise of China with its historically accumulated potential to industrialize, but also led to further intersocietal relations between societies and social changes for both sides. Rather than being about the domestic political, economic, and social developments within the Global North, de-industrialization and increasing uneasiness of blue-collar workers in the Global North can be explained by intersocietal relations. The WTO membership and integration of China into global capitalism both transformed China by skyrocketing its production and export capacity and transformed the framework of international economic institutions and the Global North. If we accepted the analytical line of the dependency school and world-system analysis, the WTO would further integrate China into the hegemonic power relationship of core, semi-periphery, and periphery countries, and China would simply be an addition to that scheme since it is not creating an alternative scheme to the hegemon. If we accepted the analytical line of liberal and neoliberal analyses, we would simply see a closer economic interdependence between the US and China by sharing the same principles and norms of the international economic institutions. However, what we see is a much more complex and multifaceted phenomenon that shows the membership of China in the WTO led to transformation and instability in the Global North and a trade war between the US and China to diminish its transformative effect on international economic institutions. Rosenberg and Boyle (2019, p. 49) argue

that the conditions of historical unevenness and further increased inequality due to the way of economic crisis exacerbated political and social polarization in the Global North. Increased inequality due to the combined effect of China's accession to the WTO led to a populist upsurge in the Global North and the election of Donald Trump in 2017. As a consequence of offshoring of the production lines and de-industrialization, the "bulk of US employment growth during the recovery came in low-wage, non-routine occupations like hospitality and healthcare" (Rosenberg & Boyle, 2019, p. 50).

During the Trump administration, the US frequently tried to reduce the frequency of multilateral trade agreements by favouring bilateral trade agreements with its economic and political allies. After the Trump administration, the US declared it would focus its historical alliances by favouring multilateral agreements again. However, the implication of UCD shows that the uneven and combined conditions of the instability within the Global North and the trade war are still there. A simple change in the administration would not change these conditions since China's accession and rise are, in fact, part of a much wider transformation of the global capitalist system and global balance of power in the world economy that is constantly changing through the uneven and combined development of countries and subsequent intersocietal effects of the combination of national and international politics.

Conclusion

This paper argues that the theory of uneven and combined development has an overarching theoretical capacity to explain the position of the international economic institutions in the case of the rise of China and the subsequent trade war between the US and China. This approach is based on the argument that the UCD can give a broader intersocietal explanation of the international by examining historical conditions through global capitalist relations. Due to China's peculiar historical conditions, the international economic institutions played a much different role in the rise of China than the assumptions of mainstream international relations theories.

International economic institutions that are formed along liberal norms and values had an effect as further polarization of domestic politics and increasing inequality in the west. So, the premises of liberal and neoliberal international relations theories about international economic institutions can be heavily challenged by the UCD. However, the international institutions are far from the absolute hegemonic tools of core countries. The relationship between states and international politics is far from being a simple directional relationship. The historical unevenness and reciprocal effects of multifaceted events have combined consequences for societies of the international economy. This analysis also can lead readers to think again about the position and nature of the states as actors of international relations: The realist approach sees the states as the main actors of international relations, and domestic politics can only play little or no role in the analysis.

On the other hand, the liberal approach sees that the nature of modern liberal societies and their values have the transformative capacity to change international politics through cooperation. However, liberal and orthodox Marxist approaches are, in a way, limited by mostly focusing on the transformative capacity of norms and values on international politics and capitalism through a unilinear development path. But UCD shows that international and intersocietal interactions can also have a strong effect on societies; there is a reciprocal relationship between them, and the combination both happens inside the societies and happens on the global level of capitalist world development.

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Notes on Contributor

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