

INCORPORATION TO MODERN WORLD SYSTEM CASE STUDY: CHINA

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Abstract

This article is organized to analyze concept of incorporation and China as a case study through inquiring how the process of integration of China to the Modern World System- Capitalist World Economy occured. Firstly theoretical basis is tried to be emphasized and then following the subject of China's brief historical bacground, it is examined the main characteristics and some statistics of China's economic change before concluding remarks. Those who reads this work will be able to find general information about the Capitalist World Economy, Incorporation concept and China's place in this structure. There is a wide range of literature on the history and economic power of China, and all these resources have helped a lot to analyze this work. China's increasingly massive economic share shows that the world system needs to be questioned and some analysis is needed. In this study, it is analyzed whether there is an overlap between China's ideological identity and its place in the world system (claimed) and the integration process.

Key Words: Incorporation, World-Systems Theory, Political Economy, China

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1. Introduction: The Modern World System

In this part of the article, it is given a brief information about the World System Theory developed by Immanuel Wallerstein in order to express basic source and dimension of 'incorporation' concept which is needed to be known to understand China's case in terms of its place in the Modern World System.

Modern World System has emerged as Capitalist World Economy gradually. Immanuel Wallerstein described a world system as followings;

in order to describe the origins and initial workings of a world system, I have had to argue a certain conception of a world-system. A world-system is a social system, one that has boundaries, structures, member groups, rules of legitimation, and coherence. Its life is made up of the conflicting forces which hold it together by tension and tear it apart as each group seeks eternally to remold it to its advantage. It has the characteristics of an organism, in that it has a life-span over which its characteristics change in some respects and remain stable in others. One can define its structures as being at different times strong or weak in terms of the internal logic of its functioning (Wallerstein, 1976:229) .

World systems consist of two major phenomenon: world empires and world economy. Changes in economic dynamics arised with the long 16th century has started to give rise to Capitalist World Economy. World-economies then are divided into core-states and peripheral areas. It is not appropriate to say peripheral states because one characteristic of a peripheral area is that the indigenous state is weak, ranging from its nonexistence (that is, a colonial situation) to one with a low degree of autonomy (that is, a neo-colonial situation). There are also semiperipheral areas which are in between the core and the periphery on a series of dimensions, such as the complexity of economic activities, strength of the state machinery, cultural integrity, etc. Some of these areas had been core-areas of earlier versions of a given world-economy. Some had been peripheral areas that were later promoted, so to speak, as a result of the changing geopolitics of an expanding world-economy (Wallerstein, 1976:22).

With the Peace of Westphalia 1648, central government achieved control over political functions and limits of authority of local powers. Sovereign political entity has authority over some arenas related with capitalists; rules of border-pass of commodities, rules of property rights, rules of employment, decision of costs that capitalists should internalized, monopolization of some economic processes, organization of tax system and having use of power to protect its capitalists operating abroad. French Revolution 1789 brought two fundamental changes; normality of political change and concept of sovereignty, these two changes led to basis for geoculture (Wallerstein, 2004:67-68). Conservatives were opposed to drastic changes of revolution. According to liberals, change was normal and inevitable, they were opposed to inherited hierarchy. Radical movements also were effective; following world revolution 1848, nationalist movements spread throughout the Europe. Some anti-systemic movements such as working class movement, nationalist movement, women's movement had also taken place. This period was the time in which the basis for birth of social science emerged because of necessity of knowledge about social arena.

Christopher Chase-Dunn analyzed the hierarchy between core and periphery. The state based world-systems rests on intersocietal hierarchy which is composed of core, periphery and semi-peripheral societies. Developmental cycles such as Juglar cycle, Kuznet cycle and Kondratieff Cycle and long term trends such as population growth, technological change, commodification, proletarianization are also the backbones of the world-systems (Chase-Dunn, 1978:159-176).

It is obviously necessary to talk about core-periphery relations and evolution of concept of hegemony in order to understand incorporation process and why it is needed. Throughout the history hegemonic position was experienced firstly by Genoese in 17th century, by Netherlands in 18th century,

then by Britain in 19th century, and finally by US in 20th century. Hegemony can be explained as the combination of military power and economic competitive advantage. Hegemonic core produces cheaply and protects its profit with coercive power when it is needed. According to Marx (as cited in Childe, 1954), mode of production should be studied where there is fully developed mode of production and labor is free (Childe, 1954:117-123), while Wallerstein claims that mode of production is a feature of World-systems as a whole (Wallerstein, 1976:229). Chase-Dunn advocates that political structure of capitalist mode of production is formally sovereign states; states are there for benefit of some classes (Chase-Dunn, 1978:159-176).

20th century was a revolutionary period as Giovanni Arrighi explains. That was a period of integrated world market, new advances in technology and information. However, it is a mistake to accept the 1970s as the time of establishment of integrated single market; but it was 1870s that such an integration among markets was witnessed (Arrighi, 2005a).

As Hobsbawm claims in detail, British domestic market provided base for industrial economy and stimulus for improvement of transport, coal industry and technological innovations. Export market with the support of government made a significant breakthrough. Cotton industry was a leading sector in exports. Government was providing support for manufacturers. There were no requirements for industrial activities, being familiar to devices were enough. Transportation, communication were cheap and diminished the costs of move of goods. Britain formed single national market and developed manufacturing and commercial sector. Thus, Britain was able to transfer from non-industrial to industrial pursuits. Industrial Revolution took place after 1740s, when domestic economic growth combined with the expansion of international economy (Hobsbawm, 1999:34-78).

Arrighi expresses that British hegemony was not a global blind market. There was a British hegemony in the European balance of power, British leadership in the liberalization of trade and in the empire-building in non-Western world. Europe experienced such a long peace after Napoleonic wars and London was the global center of trade. However, that golden age of British hegemony was undermined by serious deflation crisis in 1873-1896, by the end of WWI Britain was indebted and had huge loan to US. That was how hegemony shifted to US. The period of US hegemony was very different from British hegemony. There was a creation of world government; UN and monetary system was administrated by Bretton Woods system which has two pillars; fixed exchange rate to stabilize trade and investment and 'most favored nation' principle to help to foster free trade. In Bretton Woods system, dollar was pegged to the gold, other currencies were pegged to the dollar. The US accepted this formation in return for military and diplomatic support from Europe. Printing more and more dollars without gold in return created an artificially overvalued currency. Bretton Woods system did not benefit for the US and negatively effected dollar with a lot of burden and without enough gold reserves was devaluated by President Nixon. Emergence of high-level financial interdependence, expansion of international financial transactions and internationalization of production brought the end of the system. 1968-1971 Demise of Bretton Woods regime was a period resulted in Euro-currency market, decline of US economy and rising trend in Japan and European economies. With coming of Thatcher and Reagan into the office in Britain and US; neoliberal policies of monetarism, division of labor, transnational production, post-fordist attempts (fordism can be explained as the mass production-mass consumption method, global trade and internationalization of production; the slogan was that 'every labor in Ford company should have enough household to purchase a Ford car') were adopted. There was a very important point that was forgotten by US hegemony: maybe capital is mobile worldwide but labor is not and that led to xenophobia (Arrighi, 2005b).

It can be claimed that the source which has led to undermining of British hegemony underlies the concept of 'embeddedness'. Economy was not embedded in social relations instead social relations were embedded in economy. That was the attempt to turn every social relations into commodity. Land was turned into private property. Labor was turned into market labor. Self-regulating market, therefore, started to be criticised. Contrary to human nature, everyone was going to be more and more

individualized. Privatization of health, education, etc. led everything to be made according to logic of profit which is very dangerous. It was obviously going to take reaction from society.

Likewise, according to Wallerstein, the modern world system is in systemic crisis in today's world as well. World revolution 1968 was the end of long period of liberal supremacy and dislocated geoculture. There are three main costs for capitalist producers; remunerate personnel, purchase inputs, pay taxes. Capitalists want to reduce these production costs. Although these costs are tried to be reduced, there has been a rising trend worldwide. Anti-systemic movements' immediate aim was coming to power in the state structure, and that was how 1968 World Revolution show up. It was a rejection of US hegemonic power. World has been experiencing a transition period with the struggle between left-values and neoliberalism (Wallerstein, 2004:77-78).

In order to overcome this systemic crisis of capitalist mode of production, the expansionist market was adopted. It is very obvious that capitalism needs expansion physically. Where the concept of incorporation comes from is actually this point. By using term physical expansion, I refer to geographical scope of the market. Capitalist World Economy attempts to find new areas to transform them into markets for its need to sell and produce. '*Endless accumulation of capital*' may merely be maintained as long as new markets are added to the system. Through expanding the boundaries of the system to the new zones which is simply called '*incorporation*', capitalist system creates low-cost production spheres. Thus, in time Capitalist World Economy included various markets through incorporation and China will be examined as a part of this concept.

2. Historical Situation of China Before Incorporation Process

After establishment of People's Republic of China in 1949 as a result of heroic war against Japanese invasion of the country, 'recovery of China's national sovereignty and re-unification of the country were aimed by communists' who claimed that they had a big role in the war (Deng, 2000:3). Following years have been witnessed that China started to apply communist (some may say more nationalist) claims such as 'land reform, stabilisation of price and national industries' (Deng, 2000:4). With coming of mid-1950s, Communist programme was begun to be expanded on large scale by Chinese Communist Party.

China's relations and attitudes towards to capitalist economic forces in the World should also be examined. Mao tried to build a good relationship between US. Mao showed great interest in establishing friendly relations with the United States, provided it recognized the territorial integrity of China, including Taiwan, and thus gave up its support of Chiang Kai-shek, who had established his government as the Republic of China (Free China) in Taiwan. However, the U.S. government viewed the PRC as a satellite of Moscow and advised its allies not recognize it, but to form a common front against it. Thus, when Mao invited J. Leighton Stuart, U.S. ambassador to Chiang since July 1946, to visit Beijing, he was not allowed to go. Furthermore, the U.S. imposed a trade embargo on the PRC and advised its allies not to trade with it, or at least not to export "strategic goods" for its use (Cienciala, 1999).

After World War II, Soviet Union's victory and attempts to form blocs as political allignments between East and West led Mao-founder of the People's Republic of China and Communist Party- to pursue Stalinist policy. It is not the case of this work, but it is fair to mention about Mao's policy that following years of Mao, China experienced a terrible famine, poverty, monopolization and authoritarian structure. Thus, it cannot be claimed that it was very encompassing the main goals, policies and understanding of socialist regime.

Mao's ideal should be mentioned in order to see his view. Mao's communism promised to create better conditions in health, education, employment under its egalitarian doctrine through five-year economic plans (Tam, 2006). This led people to work very hard and in time it transformed into harsh regime.

Economic development under the People's Republic of China government started with about 150 development projects planned, financed and staffed by the Soviet Union. When political ideological differences between Mao Zedong and Nikita Khrushchev led to a split, the 15,000 Soviet engineers and staff on the development projects were withdrawn and the blueprints for the projects destroyed. China did not have the technological and financial resources to complete these projects on its own and Mao Zedong was made conscious of how vulnerable China was in depending upon outside aid, even from communist regimes (Watkins, 2002).

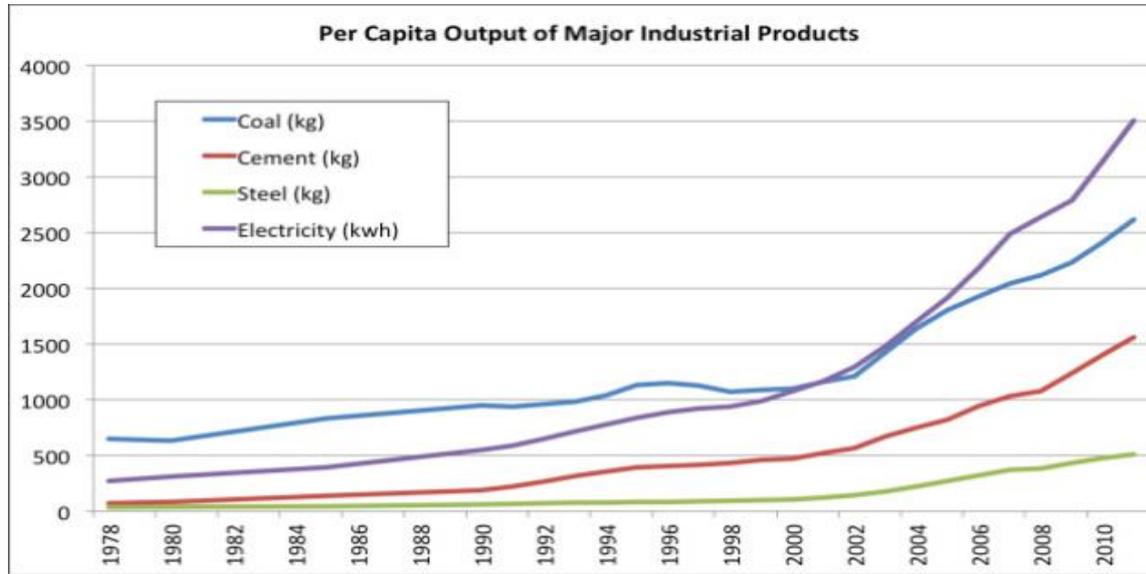
In 1960s, Mao has launched his plan for ten years Cultural Revolution. Mao thought that his position got weakened because of failure of Great Leap Forward (1958-1960) and economic crisis aftermath. Things got even worse with the Cultural Revolution. *In fact, the Cultural Revolution crippled the economy, ruined millions of lives and thrust China into 10 years of turmoil, bloodshed, hunger and stagnation. Gangs of students and Red Guards attacked people wearing “bourgeois clothes” on the street, “imperialist” signs were torn down and intellectuals and party officials were murdered or driven to suicide. After violence had run its bloody course, the country’s rulers conceded it had been a catastrophe that had brought nothing but “grave disorder, damage and retrogression” (Phillips, 2016).*

According to Lenin’s vision (as cited in Blomström&Hettne, 1984), if communism wanted to be established in a country, Import Substitution Industrialization is the way to achieve it. However, resource constraints that prevent further growth constitute obstacles. China faced with this fact. It could not maintain self-sufficiency. China did not have the capital market to meet its financing needs other than short-term loans before the reforms launched in 1979. It was not possible to borrow from international markets or institutions, obtain mutual aid, allow foreign investments or invest in foreign countries. The exchange rate of the national currency was determined by the state, and the control of the centralized regime prevented international trade. Mao, who claimed to be self-sufficient in this way, was isolating China from the outside world. When Mao died in September 1976, China was starting to experience a transformation (Blomström and Hettne, 1984:11).

3. China’s Experience Of Transformation – 1979 as a Milestone

The planned economy, which the People's Republic of China implemented since its foundation in 1949, provided the planned and stable development of the Chinese economy. However, this system has deviated from its purpose after a certain time and has seriously impeded the pace and speed of development in the economy. For this reason, at the end of the 1970s reforms have been launched to change China's planned economy. The "Household Responsibility System", which began to be implemented in rural areas in 1978, is one of the most important reforms on this issue (China.Org.Cn, 2009).

Figure 1: China's Production regarding varioud sectors from 1978 to 2010



Source: World Bank, World Development Index

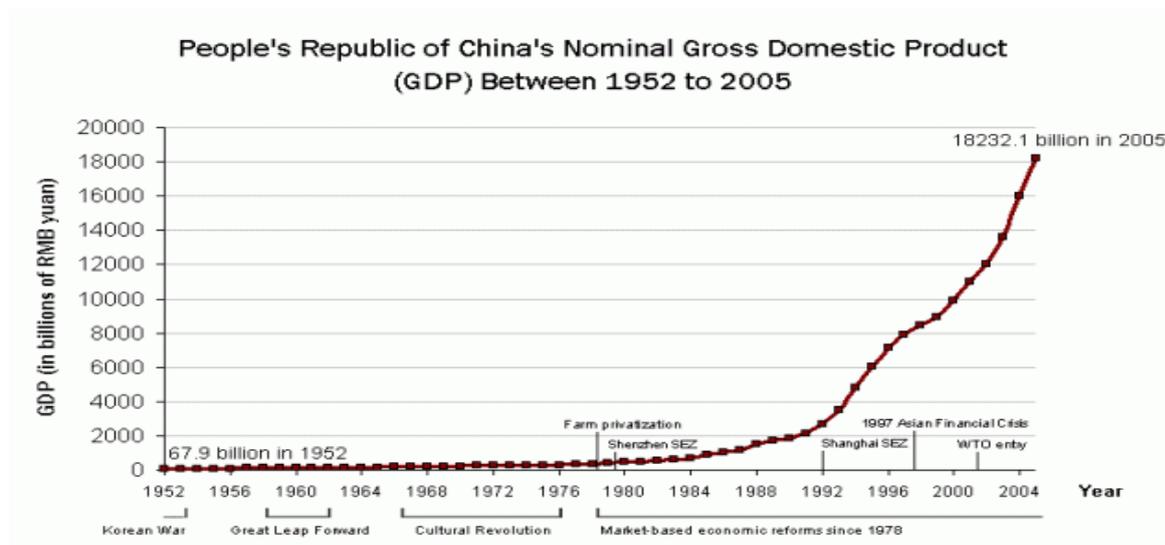
The reform of the economic system, which came to the fore in 1984, directed the direction of development to urban areas from rural areas. The direction of the reforms made in 1992 is towards the development of the socialist market economy system in China. Shortly after Mao's death, in 1978 Deng Xiaoping began his own market reform in China. The reasons for this need for reform can be listed as follows :

- 1) Mao's cultural revolution is increasingly losing public support,
- 2) The fact that state-planned applications which have been based on long years can not cope with scarcities,
- 3) The market economy of the other Far East countries (Taiwan, Hong Kong, Singapore, South Korea) is relatively successful (*Saray & Gökdemir, 2007:664*).

The focus of reforms in this period has been on agriculture. Increasing agricultural productivity and giving primary emphasis to exports (especially oil) are the main drivers of economic growth in this period. In the period covering 1985-1991, the reforms centered on the modernization of public enterprises. At this stage, the growth is based on rural enterprises and labor-intensive manufacturing products. In addition, the efficiency of resource allocation, ie shifting the production factors from the private sector to the public, has played a key role in growth. In the period covering 1992-1996, foreign direct investment has become a driving force in export industry, especially in export. With the economic reforms of 1978-1996, outward opening and gradual transition of the planned economy to the market economy began. In this framework, the Chinese National Congress accepted the Four Modernization Programs to be held in February 1978, until 1985. With this Program, agriculture, industry, science, technology and defense fields have been envisaged to reach the contemporary conditions until 1985 (*Joint Economic Committee, 1982*).

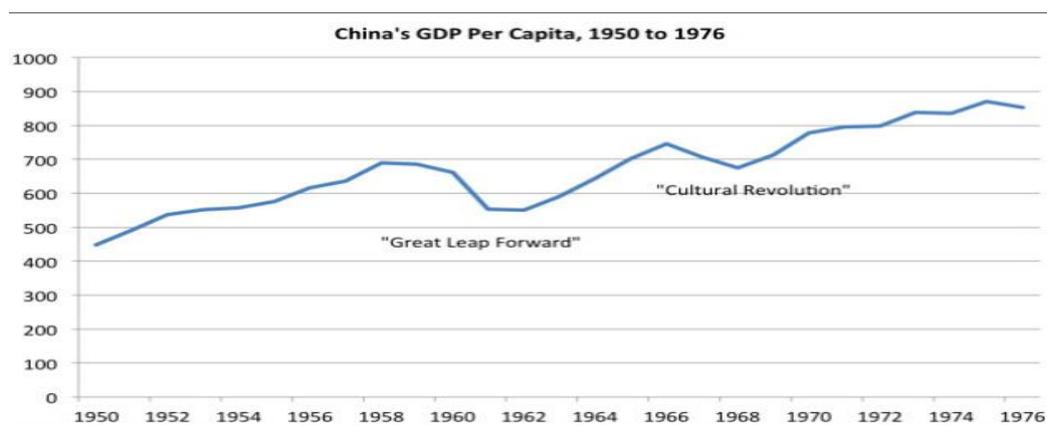
Since the early 1990s, restrictions have now been lifted and all prices have begun to be freely determined according to market conditions, as it is now practiced all over the world. Another development that has come to the fore in this period has been the search for the establishment of a banking system in order to finance both publicly funded enterprises and to tax the surplus value which has emerged as a result of the applied free market economy. It has not been easy for China to move to a market system, although in a short time it has accepted the liberal economic system as a lifestyle and has made significant improvements in the field of reform. In China, due to these reforms, negative outcomes began to emerge over time. For example, "the biggest fear of the consumer, inflation, has begun to be a problem for the first time since the early 1950s.

Figure 2: GDP of China from 1952 to 2005



Source: World Bank, World Development Index

Figure 3: China's GDP under Mao's Communist Party



Source: World Bank, World Development Index

The transition to the system implemented in China today called "Socialist Market Economy" was realized in this period. The state still owns the largest enterprises, except for the agricultural sector. It continues to monitor the economy and the most important industrial branches are managed primarily

by central planning. In short, the Chinese economy has the feature of being a considerably mixed system in the late 1980s and early 1990s. The Chinese economy is not exactly defined as a centrally planned economy nor a market economy.

In this regard, there is a notable discussion on whether this capitalist figures and developments in China Works for good of the globe or it is exactly the opposite which can lead World to much worse conditions related to capitalist circulations. This discussion started with writing of Joel Andreas; *Changing Colors in China*, 2008 (as cited in Yörük, 2018) which criticised Giovanni Arrighi's claim on Chinese market economy that distinguishes capitalist economy and market economy from each other and focuses on how much important and useful of Chinese market economy in global sense for the sake of Third World development and place in the World economy (Yörük, 2018:198). Andreas, regarding the issue, claims that no matter what the capitalist accumulation, mode of production and the ownership of the means of production led China to experience a total capitalism and that is for sure not working for proleteriat of the globe (Yörük, 2018:198).

Thus, this debate on whether Chinese transformation provides netter conditions for upcoming future of the Third World and promotes more qualified life standards for the labors is still alive and creates a new way of thinking, looking at developments in Third World countries.

It would be very much appropriate to continue with Chinese economic structure today that China follows a model close to the capitalist system: but this model, which is practiced in China, is far from the established, regular capitalism of the classical period. When we consider the process of capitalism resulting in modern industrialization, it can be said that China has stepped out of this process. There is the question of opening up an under-supervised external market, which can be implemented by the state in order to implement significant economic policies and to create the financial appeal of capitalism. In fact, the model China applies can be described as "Socialist Market Economy" or "Market Socialism".

The economic model in China is a special form of socialism: socialism, which is concerned with the model in practice, which cooperates with foreign markets in economic matters, and whose sustainable productivity is hardly achieved by the state and passed through reforms. China, after nearly 15 years of effort, became a member of the WTO and achieved an important phase of the economy in the process of structural reform and in harmonization with world trade. For the first time, including the rules-based multilateral trading system, China has been involved in the commercial rules and disciplines of the outside world. China's adjustment to the outside world has accelerated economic growth by accelerating trade relations worldwide. The cheap workforce has reduced costs and increased the competitive power of Chinese goods in international markets. The ease of entry into technology has increased production capacity and the quality of goods. The production and trade network in Asia has facilitated China's adaptation to international markets.

Wallerstein stated his argument about China's economic model as followings; China continues to be governed by the Communist Party. On the other hand, China seems to be basing the actual operations of its internal economic operations, and certainly its world trade, on market principles. Views on the world political left and the world political right are not at all unified on this issue. There are those on the right who insist that the market operations are a mere facade for what continues to be a government intent on pursuing the historic objectives of a traditional Marxist-Leninist-Mao Zedong ideology. But there are many on the political right who see a country in "transition" to a fully market-based economy and regard the ideology, not the market operations, as the facade (Wallerstein, 2010).

The same is true on the left. There are those who see China as still governed by the same socialist objectives and see the “market” operations as either a tactical retreat or as the facade. But there are others on the left who are either cynical about China’s current policies or openly disillusioned (Wallerstein, 2004:45-46).

4. China in the Capitalist World Economy

China was not a participant in the capitalist world-economy until the nineteenth century. Its incorporation led to major transformations of China’s internal social structure and prepared the historical conditions for the great Chinese Revolution in the first half of the twentieth century. By the late twentieth century, China was politically, socially, and technologically prepared to actively participate in global capital accumulation (Minqi, 2008:5).

The period started with coming of Deng Xiaoping to the office in China was different in economic manner from the one of Mao. Deng Xiaoping was a very respected person in China for anyone, he was one of the critiques of the Cultural Revolution in which a leading small group of cultural revolution called gang of four victimized many thousands of people in 1970s. When Mao died in 1976, Deng Xiaoping gained power in two years before he came to the office. In 1978, when Deng Xiaoping came to the office, he started to Household Responsibility System in which if people produce more than a specific quota, then he/she can sell that surplus in the market to make profit. In early 1990s, state-owned enterprises and industries started to be privatized. These were also the times of end of the 'iron rice bowl' system in which free transform is prohibited in order to hinder the travel to work to any other place than a person is born. When Deng Xiaoping came to the power, he abolished the system and now everyone could go to find jobs in other places. Entrepreneurs and private sector were encouraged to shoulder the burden and to make privatization possible to achieve economic boost. In this period private sector and migrant workers shouldered the burden. Deng Xiaoping's era was the time in which importance was giving to the foreign investment and consumption items of the West. Through Special Economic Zones (SEZs) such as Schenzen, Shantou, Xiamen where tax was so low and labor was so cheap in, Foreign Direct Investment was attracted.

However, this was not benefitting for the workers. From now on I would like to mention basic points of the documentary about Chinese labor’s working conditions (Peled, 2006). More than 130 million Chinese peasants, mostly young women, have left their villages to find jobs in globalized economy, it is said in documentary. Those people comprise cheap labor and producer of clothes and other goods for Western consumers. Documentary issues in a factory called Lifeng Factory in South China. In this factory, work begins at 8 am and at night overtime begins at 7 pm till 2 or 3 am. On average workers sleep 3 or 4 hours. This factory is selling to Europe and South America and labour is very cheap. Worker at Lifeng work 7 days a week for months at a time. They are not paid for overtime and they are not paid at the minimum wage required by the law. Multinational retailers send inspectors to the factories to satisfy the people in the West concerned about labor standards. However, those inspectors rarely find problems. The factories coach workers to lie to inspectors about their working conditions. Independent searching is not possible because major brands require suppliers to prohibit media. Labor unions and strikes are also prohibited in China. So, as is seen, globalization and globalized world economy do not provide benefit for everyone. Workers are required to work very strict and they are fined for almost everything.

Capitalist understanding is dependent on the accumulation of capital principle - endless accumulation-. Capitalist needs to pursue right goods which can result in profit and proceed well for capitalism. Due capitalist accumulation is derived from production, sufficient labor force, adequate resources of raw materials, low cost are required to be secured. There is also another need for dealing with any risk from state or non-state force. In the exchange of products and division of labor, it is needed for market relations to be developed to sustain itself. Profit should also be enough accordance with risks

taken by capitalists. Costs consist of labor, environmental, and taxes. So, these factor should be held in a low level for capitalist to be able to accumulate wealth and profit sufficiently.

Historically, the capitalist world-economy has responded to the pressure of rising costs through successive geographical expansions, relocating capital to new areas with lower costs (Minqi, 2008:12). It may be advocated that China is one of the largest areas that was incorporated into the Capitalist World Economy. "It took the entire Maoist era to develop the necessary industrial and technological infrastructure before China could become a major player in the global capitalist economy" (Minqi, 2008:13).

5. Problems of Globalization

This part of the work is organized to examine Stiglitz's analysis about problems of globalization and ChinaBlue documentary which is dealing with labor conditions in factories. That would be good starting point for this part beginning with Stiglitz lecture on globalization which is analyzed to express challenges of globalization and how to solve those problems. According to Stiglitz, globalization has not lived up to its promises. It has not improved lives of the poor. Richer countries demand poor ones to open their market and this caused asymmetric weaves which led poorer countries to be worse off. Globalization did not provide benefit for everyone all over the world. International organizations dealing with fiscal and monetary issues such as IMF and World Bank believed that integration of economies could bring stabilization into world economy. However, they were wrong because economy has been experiencing enormous instability as consequence of economic integration. When it comes to China and India, the case occurred just the opposite. China and India learned how to get advantage of globalization, they were very careful and they could manage to benefit of globalization without paying cost of it. China opened itself to FDI but they were so picky. They knew the disadvantage of short term money flows and they did not open themselves to financial transactions and remained selective. Thus, they did not forget development and could manage growth. However, US represents the failure of globalization because poverty has remained at a high level and growth rate was disappointing. Minimalization of government role in economy and privatizations, they all led US to fail.

Other aspects of globalization are also discussed by Stiglitz. For instance he talked about intellectual property. Implementing intellectual property, price of medicine rose and developing countries had shortages of medicines. Most of countries are not able to afford prices. South Africa and Brazil cannot afford prices under intellectual property. Environment was also destroyed. The way globalization was implemented damaged environment but it could be just the opposite through implementing the right way. Stiglitz also discussed why globalization failed and find out a single reason to that question. He thinks that economic globalization outpaced political globalization. Overarching political process does not exist anymore. Democratic deficit is a fact in present conditions. It is needed to act cooperatively Stiglitz added. He advocates that corporations dominate over all citizens. In developed countries, citizens were also forced to pay enormous tax payments and carry the burden of globalization. According to World Bank, 40% of people live under poverty line 'two dollars a day'. Globalization put economic values over other values in life. Stiglitz also states his suggestions about how to manage globalization. He thinks that this is not a conflict between developed and underdeveloped countries, this is conflict between corporate interests and well-being of people. Those who are shaping the decision making such as finance ministers and trade ministers reflect the benefits of bondholders rather than citizens. In decision making, not all voices are heard but only particular interests were heard.

As it is summarized above, Stiglitz discusses the problems and challenges of globalization and finds out main reasons and how to solve it. As a result of having online lecture by Stiglitz and seeing the documentary ChinaBlue, that would be a fair attempt to claim that globalization is not working in the right way (Stiglitz, 2013). It did not provide better life conditions as it was expected and promised. This living conditions of labor and people in poorer countries do not overlap with the promises of globalization. US could not manage to carry globalization and people got worse in life conditions.

Developing countries could not afford prices and provide growth for people. China and India seem to be successful in functioning the globalization but in fact the labor and peasants in these countries are not living even under human conditions. Poverty rate is getting high all over the world and it has to be stopped.

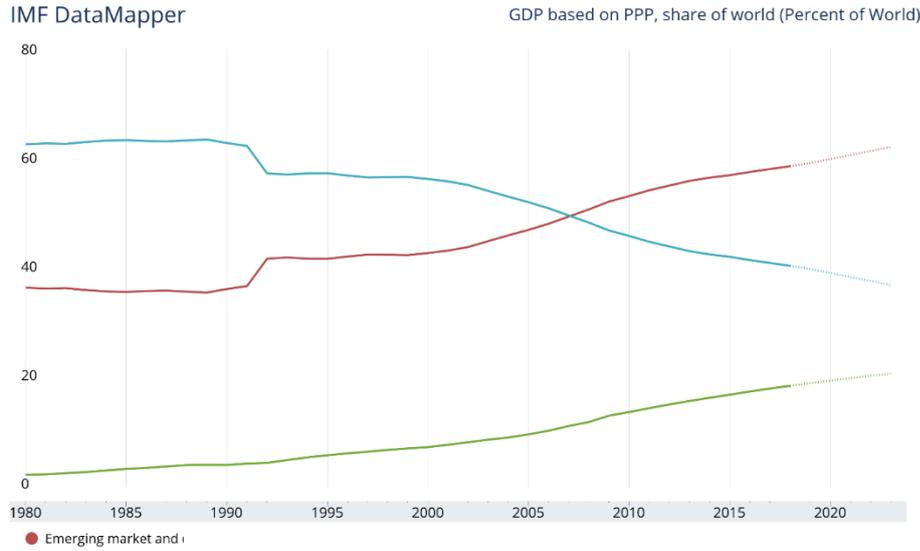
6. Conclusion

The geographic expansion of the capitalist world economy altered political systems and labor conditions wherever it was able to penetrate. Although the functioning of the world economy appears to create increasingly larger disparities between the various types of economies, the relationship between the core and its periphery and semi-periphery remains relative, not constant (Wallerstein, 2004).

To sum up, the world system consists of whether world empires or world economy. The world has been shaping gradually from world- empires to world economy. With long the 16th century (it is issued in our classes as a period that lasted almost 150 years and can be categorized as including first and second stages of Modern World System which is Capitalist World Economy.) , the world system has begun to transform and over centuries it has been shaped as Capitalist World Economy. Wallerstein's World System Theory examines the world in three different categories; core, periphery and semi-periphery states. At this point, it is very much fair to say that the most important body for Capitalist World Economy is the semi peripheries because they are the ones which makes the system continue. Thus, it can be seen as a mechanism that functions the Capitalist World Economy. The Modern World System needs physical expansion to create new markets to sell and produce. This attempts to find new physical zones is called 'incorporation'. Incorporation concept is the main instrument for Capitalist World Economy to survive. China has emerged as an example for this concept. This work is organized to examine China's including process to the world system. Reading lots of different materials, any reader interested in the subject would come to such a point that, China needed to integrate to the world as much as the capitalist world needed China to get involved in its system. China has experienced wars, transitions, socialism and then reforms and revolutions and so on. It should be seen fair to state that as soon as it has recognized that unless it has become a part of the Modern World System, things can get worse regarding lack of resources for self sufficiency and risk of poverty and famine, China decided to revise itself accordance with the Capitalist World Economy. However, China is not a purely capitalist country neither it is a socialist one. It seems like China applied and now exercising a third way.

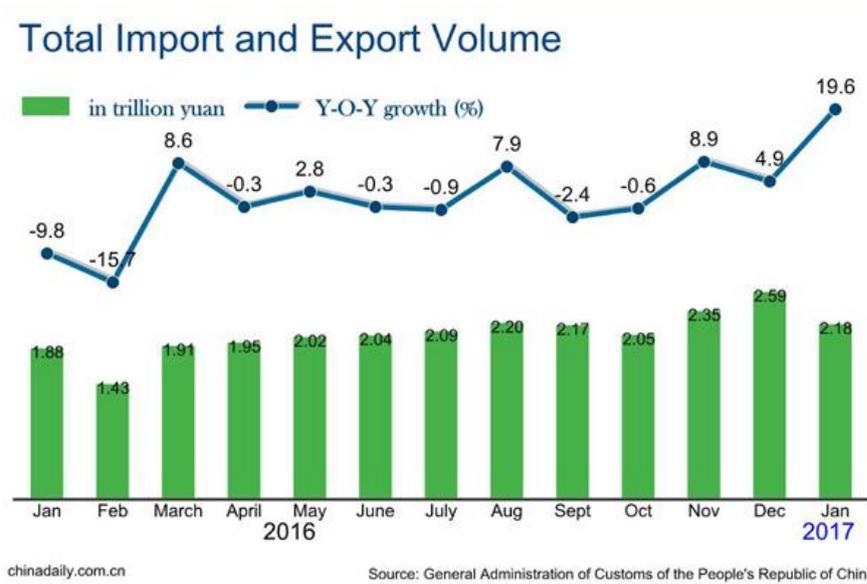
In the first 30 years since the founding of the People's Republic of China in 1949, the Chinese government implemented a centralized economy. The most important characteristic of this period under Mao's leadership is the importance of increasing the national income in the economy, the development of the rural population and the creation of a peasant-peasant class that is in harmony with the state. The centrally planned economy, which the People's Republic of China has implemented since its foundation in 1949, has provided a steady and planned development of the Chinese economy; But this system has seriously hampered the viability and pace of development in the economy. At the end of the 1970s, the reform of the socialist economy system of China was launched with the concern that the current system could no longer be sustained. Along with the economic reforms in this period, outsourcing and gradual transition from centralized economy to market economy started. Measures have been taken in the economy in the light of the fact that the development of Xiaoping could be market-based and that the idea of growth could be realized if the element of competition in the economy is taken as basis. As a result of the reforms implemented, the "sleeping giant" China has awakened from sleep and became an important player in global competition (Saray & Gökdemir, 2007:680). China has also benefited from the WTO membership, and growth and exports have strengthened.

Figure 4: China's Share of World GDP



Source: IMF, World Economic Outlook: and IMF staff calculations

Figure 5: China's exports' and imports' rates in global scale



Source: General Administration of Customs of the People's Republic of China

As is seen, China can not be ignored or taken for granted. It constitutes a huge market for global economy and it also has other powerful dimensions such as population. Thus, China seems to have more impact also in future. Today's world economy cannot be thought without China's market. Its share in global sense is enormous and it is getting even larger every moment. It has become a very influential economic power and how big China's impact on economy in a world scale is constitutes an unquestionable result.

Finally it is fair to claim that both sides of this incorporation process – China and the Capitalist World Economy- had to be stay close, perhaps not hand-in-hand but still incorporated. However, this incorporated position of China and the capitalist economy is a very controversial issue regarding the place of Third World in the globe. Scholars with more Marxist way of thinking like Andreas and Walker are very sceptic about the Chine transformation, and on the other hand Arrighi for instance as a more Braudel scholar thinks that Chinese economic development is related with Smithsonian economic understanding which leads more egalitarian World economy, thus it is not something evil for the sake of proleteriat. As seen above, very important numerical data and practices in China show that the concepts of globalization and integration into the capitalist world system did not bring prosperity to people and humanity as much as they were actually conceived. Therefore, any attempt to or application of capitalist economic means does not have anything related to good for Third World countries but for capitalist Powers and for big shareholders.

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