An Analysis of Chinese Strategic Advancement Through the Lens of World Systems Theory

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Introduction

Since the end of the Cold War the world has seen a unipolar, hegemonic actor. As former Soviet bloc countries began their transitions to democracy and capitalist economies, the United States was left as the dominant global power. For a time, Western policy makers neglected Chinese technological advancements and economic acquisitions.\(^1\) Previous national strategies were oriented toward containment of Chinese growth and eschewed any entrustment of global responsibilities. Contemporary strategies revolve around mutual growth and the delegation of responsibilities befitting a rising super power.\(^2\) This paper does not focus on power relations within the international system. The scope of this investigation is to analyze a singular system – that of the Chinese sphere of influence. Using Immanuel Wallerstein’s framework of World Systems Analysis, or World Systems Theory, this paper will seek to define the geographic location of the Chinese world system and to identify structural phenomena within the system. The goal of the author is to provide an objective analysis of the Chinese world system through the lens of Wallerstein’s theory.

This paper will provide the necessary background to understand World Systems Theory and further afford the reader an understanding of what is meant by the phrases “Chinese sphere of influence” or “Chinese world system.” The first section will begin by defining and discussing World Systems Analysis as it is meant to be understood within the scope of this investigation. Section two will identify and elaborate on some of the sources of

\(^2\) Keller & Rawski, China’s Rise and the Balance of Influence in Asia, 2007.
Chinese ambition to develop their own empire relations. Section three identifies two geographically disparate instances of bilateral Chinese involvement and identifies their unique roles within the Chinese world system. The fourth section of this investigation is a detailed case study of bilateral economic and developmental relations between China and Djibouti. The case study is intended to further support analysis of the Chinese sphere of influence through Wallerstein’s lens. Section five will elaborate on how the strengths of the system also serve as the primary weaknesses. Section six will conclude this investigation. Approaching analysis of Chinese strategic advancement through the lens of World Systems Theory is important for exogenous spectators as it may hold predictive value for understanding future internal relationships between China and her periphery.

**Section I: World Systems Theory**

The emergence of World Systems Analysis in the 1970s established the concept of core-periphery relations as a unit of analysis. Up until this time, an individual nation state and their relationships were analyzed independently of the externalities they generated on foreign countries. Birthed from Marxism and Dependency Theory, World Systems Analysis sought to expand the study of individual nations into the study of empire relations.3,4 Systems theory as it is meant to be understood in this paper is best defined as a cluster collective of relations that are a world unto themselves.

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4 Jeff Reeves (Associate Professor, Asia-Pacific Center for Security Studies), Interviewed by James Bilko, Oahu, Hawaii, July 2016.
Traditionally, World Systems Theory categorizes international trade not as trade between equals. Countries with plentiful factor endowments are able to capitalize on terms with a surplus-value flow from weaker to stronger economies. This asymmetrical exchange can also be known as “unequal exchange”. It is worth noting that in systems theory it is the production processes that are core like and peripheral – not the geographic regions. The concept is relational, not geographic. There is an asymmetric transfer of wealth from the periphery to core resulting in skewed economic systems that do not lead to even growth between participating states. This is a form of redistributive economy where goods flow from the bottom of the social latter to the top in the form of periphery to core.

World Systems Analysis was an attempt to consolidate social disciplines. By taking into consideration concern with the previous existing, hyper-singular unit of analysis and social temporalities between nation states, Wallerstein and scholars of his ilk were able to generate a framework which considers complex “systems, economies, and empires” a world of their own albeit not encompassing the entire globe. These worlds are best designated as systems or “integrated zones of activity and institutions which obey systemic rules.”

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6 Ibid.
8 Ibid.
A Chinese World System

Through use of the relational concept of core and periphery this paper can now turn to defining a contemporary Chinese world system. China is neatly situated in the Asia-Pacific and not only has an expansive landmass, but also tremendous access to resources. Excluding the United States, China is the regional hegemon. Therefore, it goes without saying; China is the core country of the Chinese world system. Capital accumulated from politically and economically weaker states disproportionately ends up in Beijing. Peripheral states are left with unsustainable harvesting practices in the case of raw materials and internal corruption of these lucrative natural resources all but guarantees that much of the rent earned can be siphoned away to the core. This phenomenon can be described as cynical economic exchange.

The periphery of the Chinese world system is bounded by Greece and the Mediterranean to the west and reaches to the far east of the Indo-Asia Pacific. Peripheral states include Greece, northern and eastern coastal Africa, the Arabian Peninsula, South Asia, Southeast Asia, and Oceania. In the Chinese world system, where China is unipolar, China is the only core country and the others are peripheral or semi-peripheral. China has amassed such a sprawling periphery through use of the controversial non-interference policy. Maintaining this doctrine in regards to core-periphery relations has lead to accusations that China employs an aethical foreign policy, exploitive trade agreements, and promotes
corruption. China is aware of these accusations and defend themselves by claiming they are the newcomer to global power and have non-malicious intentions vis-à-vis policy of non-alignment.

Section II: Chinese Ambitions Explained

Post-1949 Chinese foreign policy ambitions have been aligned with establishing a system with Beijing at the core. As mentioned previously, the cluster collective of relations are a world system unto themselves. The asymmetrical transfer of resources and strategic access from periphery to core, however, is what notably distinguishes Chinese systems theory actuated from other contemporary world powers. China utilizes a non-interference doctrine, which excuses Beijing from diplomatic issues stemming from its growing involvement in the Indo-Asia Pacific and westward. The doctrine contributes to skewed economic development between China and its partner state and leads to uneven growth between the two nations. China has installed exploitive, asymmetric trade agreements with periphery states that reinforce laggard development and rampant corruption internally in the periphery. Yet this phenomenon is through no fault of China’s own. Beijing’s overseas investments have revitalized oil and mineral extraction sites and encouraged durable goods production in areas previously languishing under high production costs. It is only a structural phenomenon that many of the periphery states are illiberal, yet resource rich. Developing social connections and furthering business ties

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9 Jeff Reeves (Associate Professor, Asia-Pacific Center for Security Studies), Interviewed by James Bilko, Oahu, Hawaii, July 2016.
with these authoritarian nations compels China to bring projects and capital to the area despite further perpetuating the dictatorship.

Periphery nations that challenge the ideals of the Washington Consensus (whether they be areas where the auras of communism still linger or more likely a recently liberated ex-colonial territory) are eager to involve themselves with a fresh global power. A country striving to develop infrastructure, notably railroads and bridges, may reach out to China for a bevy of reasons being particularly attracted to speediness of construction or a cost incentive. Even more likely, it is because Chinese non-interference all but guarantees a host regime type can maintain the status quo in ways Western partners would disapprove. In Guinea, China built an agricultural technical assistance laboratory from 1979-1982 notwithstanding the troublesome transition to democracy faced by the Western African nation. For over fifteen years, Beijing funded the center and supplied teams of scientists. According to subject matter experts, however, “the Guineans were more interested in the material products received from and the wages paid by the project.”\(^\text{11}\) Later in this paper the dynamic nature and growing irrelevance of the non-interference doctrine will be discussed.

The Chinese are not reticent about their international ambitions. Direct from the horse’s mouth for years now China has been espousing its hawkish desire to establish both soft and hard power inputs in strategic locations. The 2013 “white book”, or series of government defense papers published by the People’s Liberation Army Academy of

\(^{11}\) Ibid, pg 148.
Military Science, calls for China to launch “necessary overseas supply points and a limited force presence...[to] exert political and military influence in relevant regions.”

This growing involvement in peripheral states supports the notion that the Chinese world system is very dependent on the inward transfer of wealth. Despite this asymmetrical exchange, policymakers are eager to work in conjunction with the Chinese. In Africa, for example, the local governments are “learning how to engage with China productively...in places that are landlocked, devoid of natural resources, and geographically small...which has given way to changing notions of what it means to ‘develop’.”

When China and the Ethiopian government collaborated on the Huajian shoe factory outside Addis Ababa, regional countries took note and have since solicited similar Chinese association.

President Xi Jinping’s current foreign policy ideals are best shared in his own words; he aspires to “build a robust national defense and strong military that corresponds to our country’s international stature and is adapted to our own national security and development interests.”

This invigorated round of force projection throughout China’s world of influence (Greece and the Mediterranean to the Horn of Africa and beyond into the Asia-Pacific) has left the international system to marvel at the incipient rise of Chinese military strength. Beginning in geographically close areas such as Hainan Island and Woody Island, Beijing upgraded their military facilities. Over time the upgrades extended beyond the immediate borders to strategic ports like the one in Gwadar, Pakistan that is positioned

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12 Page, China Builds First Overseas Military Outpost, WSJ, 2016.
13 Poeter, Interview with Janet Eom, Young China Watchers, 2016.
15 President Xi, Xinhua News Agency, 2015.
neatly adjacent to the Strait of Hormuz – a sea passage connecting the Persian Gulf oil producers to the Arabian Sea. In keeping with President Xi’s ideals, energy security has emerged as just one of China’s top developmental priorities.

Section III: The True Expanse of the Chinese World System

Until now this paper tangentially has addressed specific geographic locations and projects that support Chinese expansion via World Systems Analysis. China seeks to influence actors from well beyond the Asia-Pacific. The global financial crisis has given China new opportunity to develop inlays previously inaccessible to Beijing. Chinese state owned companies have been on a near decade long tear buying ports, long term mineral and construction contracts, and acquiring scarce resources in both their backyard and inter-regionally.

Greece

The economic devastation in Greece caused by the meltdown of financial markets in 2008 left the country vulnerable to outsiders. Southwest of Athens, the China Ocean Shipping Company (COSCO) purchased a majority 67% stake in the Piraeus shipping port. Piraeus serves as the first gateway for COSCO into the European market. The Chinese company remains interested in purchasing Greece’s state owned rail network, TRAINOSE, which would lend COSCO a European transshipment hub in the region –

16 Pehrson, String of Pearls, July 2006.
the first of its kind.\textsuperscript{17} This would serve maritime connections from the Suez Canal and link shipment of goods via rail to the Balkans and central Europe. Piraeus is located at the westward end of the Maritime Silk Road and its acquisition falls in line with the Chinese “One Belt, One Road” policy and has the potential to boost China’s slowing, export laden economy by providing access to new consumers.

Captain Fu Chengqiu of COSCO marvels at Greek access: “No other country in Europe offers such potential. We believe that Piraeus can be the biggest port in the Mediterranean and one of the most important distribution centers because it is the gateway to the Balkans and Southern Europe.”\textsuperscript{18} The port at Thessaloniki, which is scheduled to be privatized (a major element of Greece’s bailouts since 2010) in 2017 to meet Greek austerity measures, has been highlighted by COSCO executives as the upcoming recipient of a Chinese takeover. The purchasing of and ambitions toward acquiring the largest ports and rail companies in Greece come on the heels of Premier Li Keqiang identifying Greece’s strategic geographic location as the true “gateway to Europe.”\textsuperscript{19} Beyond rhetoric, COSCO has increased shipping container throughput by five times since it became proprietor of the Piraeus port mostly courtesy of the rapid growth of coastal African economies.\textsuperscript{20} China COSCO Shipping will employ Greek workers at the docks in the Piraeus port to alleviate the unemployment rate in Greece, as mentioned in a meeting between Greek Prime Minister Alexis Tsipras and COSCO Shipping.

\textsuperscript{17} Koutantou & Goh, After Piraeus Port...Europe Hub, Reuters, February 2016.
\textsuperscript{18} Smith, Interview with Fu Chengqiu, The Guardian, June 2014.
\textsuperscript{19} Premier Li, Comments Made During a Visit to Athens, 2014.
\textsuperscript{20} Sellier, China’s Mediterranean Odyssey, April 2016.
chairman Xu Lirong. In keeping with World Systems Analysis wherein the core (China) is the chief beneficiary of peripheral (Greek) drudgery, the argument can be made that an aethical exchange occurred here between China and Greece. For the Chinese, tremendous economic gains have been realized while only a few thousand Greek jobs were generated. While this paper in no way attempts to pass judgment on the mutual accord struck between two independent actors, it is worth mentioning that COSCO was the sole bidder for Piraeus and Tsipras was facing the wrath of the European Union for the utter dearth of Greek asset liquidity. The Chinese timing, in entering the scene, was perfect.

The China-Europe express route and its corresponding accouterments comprise the Chinese world system as defined within this investigation. But for the process to be successful, it would require a peaceful and stable geopolitical landscape at every choke point from the Malacca Straits to the Suez and all in between. This paper has already mentioned Chinese involvement in the Strait of Hormuz and will launch an in-depth analysis of the Strait of Bab-el-Mandeb, the penultimate strategic waterway that must fall under Chinese control before the Maritime Silk Road can be fully actualized, in section four below.

Myanmar

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21 Xinhua News Agency, Greece, Chinese Shipping Giant Sign Agreement for Piraeus Port Stake Sale, China Daily, Updated 2016.
22 Penultimate only to the Malacca Strait where Beijing no longer holds significant operational ability.
In terms of scarce resource acquisition within a more local vicinity, Beijing had landed on Myanmar. Myanmar offers access to oil reserves and the strategic waterway known as the Strait of Malacca. Some twenty five percent of global trade passes through this narrow waterway connecting the Indian and Pacific Oceans.\textsuperscript{23} In keeping with President Xi’s comments mentioned in section two, it seemed reasonable for a Chinese company to reach out to and to develop a relationship with the then military junta leadership in Myanmar.\textsuperscript{24}

In 2009 the China National Petroleum Company (CNPC) and the Myanmar Energy Ministry signed an agreement officially indicating that the transnational pipeline construction was in full swing.\textsuperscript{25} According to Xinhua News Agency: “The memo said CNPC would be responsible for design, construction, operation, and management of the crude oil pipeline.” In exchange for this strategic energy venture the government of Myanmar received $2.5 billion USD.\textsuperscript{26} While that is indeed a breathtaking sum, it is fitting of the nature of this paper working through the lens World Systems Theory to highlight how skewed the economic advantage is in favor of China. While Myanmar receives rents paid for pipeline access and is able to employee some thousands of Burmese workers to construct their 800 kilometers of trunk line\textsuperscript{27}, the CNPC will employ vastly more workers to complete their 1,700 kilometers of pipeline as well as employ the design team and manage the vessels who are able to pump roughly 440,000 barrels of oil

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\textsuperscript{23} Storey, China’s Malacca Dilemma, April 2006.
\textsuperscript{24} Larson, China’s Oil Pipeline...Resentment, Bloomberg, February 2014.
\textsuperscript{25} Xinhua News Agency, Sino-Myanmar Crude Pipeline Memo Signed, June 2009.
\textsuperscript{26} Larson, Bloomberg, 2014.
\textsuperscript{27} Min, China-Myanmar Gas Pipeline Becomes Fully Operational, Myanmar Business Today, October 2013.
\end{flushright}
per day to the Yunnan province – with each worker garnishing their due wages. The $2.5 billion dollar initial outlay aside, it is clear that CNPC and the Chinese government are the chief beneficiaries of cynical economic exchange.

As World Systems Analysis is a more holistic approach to measuring spheres of influence, an analysis of the China-Myanmar pipeline would be incomplete without further considering the presence of skewed strategic advantages. Before 2014, an estimated eighty percent of Chinese oil and gas imports passed via ship through the Malacca Strait, up from sixty percent in 2006. With the recent uptick in piracy Beijing began to consider the Malacca area as a strategic vulnerability. It had even been printed by a Chinese government backed newspaper that “it is no exaggeration that whoever controls the Strait of Malacca will also have a stranglehold on the energy route of China.” As World Systems Theory would suggest, the Chinese noted the need for a strategic foothold within this region and thusly struck up a venture with Myanmar in order to safeguard Chinese investment abroad. The financial and strategic gains to China far outweigh the gains recognized by Myanmar. Additionally, the relationship between these two nations further exemplifies how the Chinese world system is a world unto itself wherein actors negotiate with the undisputed hegemon, even to the extent of accepting far inferior terms of trade.

Section IV: Case Study: Djibouti

28 Larson, Bloomberg, February 2014.
The east African nation of Djibouti is less than 9,000 square miles. It is surrounded by Eritrea to the north, Ethiopia to the west, and Somalia to the south. The population is fewer than 900,000 – with many living in poverty – and there are almost no natural resources.\(^3\) Yet, Djibouti rakes in billions of dollars for leasing military outposts to other nations. The United States recently extended its lease on the only U.S. base in the continent for the next twenty years paying seventy million dollars annually.\(^3\) The reason is Djibouti’s strategic access to the Bab-el-Mandeb Strait connecting Africa and the Arabian Peninsula with the entrance to the Red Sea. Some 20% of the world’s trade and nearly half of Chinese oil imports pass through the Gulf of Aden – situated on the other side of the strait.\(^3\) Additionally, Djibouti is positioned near the Middle East region. For both security and economic reasons, the country is an important ally to cultivate.

China is already invested heavily in Djibouti. It is logical for Beijing to protect their investments and expatriate citizens with a military outpost of their own. They have spent

\(^{31}\) CIA World Factbook, 2016.

\(^{32}\) Page, China Builds First Overseas Military Outpost, WSJ, August 2016.

\(^{33}\) US Naval War College, China Maritime Studies, No. 10, November 2013.
millions of dollars upgrading the country’s undersized ports and airports and are currently financing a project seeking to connect the capital to nearby Ethiopia via rail. A core country seeking to expand its periphery would act like China has. While it is difficult to ascertain a ratio of Chinese foreign direct investment in Djibouti compared with the nominal dollar amount China stands to lose or gain in oil and security costs by establishing a relationship with the Djiboutians, it is not unrealistic a claim to assume that there is some semblance of unequal exchange between these two nations.

Unlike with the Piraeus port in Greece, the Chinese companies in Djibouti have made no guarantees to use local workers. They are providing upgraded infrastructural facilities and rents paid by their military outpost. In exchange, Beijing receives priceless trade and security assurances, a venue for Chinese workers, and immeasurable soft power advancements within the northeast African region. Certainly this bilateral relationship draws Djibouti into the Chinese sphere of influence and advances empire relations as outlined in World Systems Theory. There is no evidence to support that Djibouti (and Greece for that matter) will be the final stops in the expansion of the Chinese world system. Vice President Jonathan Beard of transport consultancy ICF International in Hong Kong notes in reference to the growing Chinese industry “I think any port or related investments around the Mediterranean…Turkey, North Africa, and the Black Sea – will be of interest.”

36 Beard, Interview with Reuters, 2016.
The last gain from negotiated relationships within this example of the Chinese world system is force projection. Assumedly not even crossing the radar of the Djiboutian government, increased force projection by the People’s Liberation Army (PLA) helps to posture Beijing as a growing challenger to the unipolar environment that has remained since the collapse of the Soviet Union. Force projection is the ability of a nation to rapidly deploy military forces to respond to crisis abroad.\textsuperscript{37} A military outpost in Djibouti provides the PLA with fringe security and will hasten any response to events occurring within the Chinese world system. With the economic, political, informational, and military advances China has made in Djibouti, Beijing has thoroughly joined Russia in challenging the United States as the sole world hegemon.

Section V: Strengths and Weakness of the Chinese World System

“A strategy of non-interference and reluctance to engage in national politics simply cannot satisfy the rigorous demands of international diplomacy and politics. And economic influence, for all its benefits, can and does fall sway with to the sentiment of politics.”\textsuperscript{38}

Possibly the greatest asset to Chinese international relations was its non-interference doctrine. However the dismergence of this policy is beginning to manifest as China is deepening material interests and slowly abandoning the principle of non-interference. The policy had served Beijing well, especially vis-à-vis African nations as outlined in

\textsuperscript{37} US Department of Defense, The Dictionary of Military Terms, December 2013. \textsuperscript{38} Erian, China at the Libyan Endgame, Policy Vol 28 No 1, 2012 pg 52.
previous sections of this investigation. As China’s interests expand so do the responsibilities to protect and safeguard resources, persons, and strategic locations – all contributing to an increased level of involvement between China and the peripheral states.

For China, non-alignment has led to local riots. Perhaps the best example of the Chinese world system being its own Achilles heel occurred in Myanmar during the construction and operation of the transnational oil and gas pipelines. The venture was “mired with allegations of land confiscation, displacement of local communities, and environmental risks.”\(^39\) Protests in Myanmar strained relationships with the PRC. When the pipeline project was initiated, Myanmar was controlled by a military junta with strong loyalty ties to Beijing. Myanmar’s startling and vibrant transition to democracy has paved the way for public anti-Chinese sentiment. In 2014, the situation became so tense that it erupted into a clash where two buildings including an oil storage facility were burned by protestors.\(^40,41\)

Myanmar rethought engagement with China after the social cost was determined not to outweigh the economic benefit of engagement. In 2011 amid environmental concerns construction on parts of the transnational oil pipeline was halted. Only recently, in 2016, Chinese Premier Li Keqiang and Myanmar State Counselor Aung San Suu Kyi have

\(^{39}\) Min, Myanmar Business Today, October 2013. 
\(^{40}\) Larson, Bloomberg, February 2014. 
\(^{41}\) Thar, Burmese Arrested After Dispute with Chinese Pipeline Workers, The Irrawaddy, January 2014.
agreed to advance construction on the oil and gas pipeline and further develop and hydroelectric dam.\textsuperscript{42,43}

China’s aspirations to promote the country as peaceful and full of goodwill further exemplify the value of analyzing Chinese international relations within the scope of a world system. For some time now China has had the economic means to promote its messages abroad, but recent hiccups across the Chinese world system have lead to them reconsidering their longstanding strategies. China will likely consider the domestic conditions of peripheral partners to best ensure the safeguarding of Beijing’s assets. As mentioned in the introduction, approaching country relations through the framework of World Systems Analysis will generate predictive value in understanding core-periphery relationships. History has shown that the doctrine of non-alignment has been impactful yet handcuffs Chinese relations. It would not surprise the author of this paper if in the coming years China abandons their non-alignment policy in lieu of more contemporary bi, tri, and multilateral arrangements.

\textbf{Section VI: Conclusion}

Chinese strategic advancement has remained uninterrupted for decades. China has established itself as the center of its own world system. This paper has shown how production processes, whether they be economic, political, or strategic military in nature,

\textsuperscript{42} Ministry of Foreign Affairs (PRC), Le Keqiang Holds Talks With State Counsellor Aung San Suu Kyi of Myanmar, August 2016.
\textsuperscript{43} Hu, China, Myanmar to Enhance Trust, China Daily, August 2016.
have flowed from China’s periphery and have gone to support Beijing. Drawing on Immanuel Wallerstein conception of World Systems Analysis the Chinese world system can be best described as encompassing the areas west of Greece to the far reaches of the Indo-Asia Pacific in Oceania. Prominent geographic features of the Chinese sphere of influence include the Horn of Africa, the Arabian Peninsula, and multiple straits and strategic waterways for shipping routes.

Building upon the necessary temporalities between states identified in systems theory, this investigation has provided descriptions of uneven economic exchanges and uneven exchanges of popular sentiment and influence. In most cases, China acts as the chief beneficiary of these uneven exchanges. Chinese economic prowess, domestic clout, and soft power increased during trade negotiations and agreements reached with Greece. They established themselves as primary contenders for a European transshipments hub and breathed new life into the Chinese export laden economy by accessing new markets. In Myanmar, China provided reliable, less expensive oil to its Yunnan province and generated thousands of jobs for Chinese planners, developers, and construction workers. With Djibouti, China has expanded power projection to areas of the world previously inaccessible and has worked to develop arguably the best rapport in the Horn of Africa by constructing infrastructure connecting Ethiopia, Djibouti, and other regional nations.

\[44\] Min, Myanmar Business Today, October 2013.
The persistence of cynical exchange in economic development and strategic access-ways has not been entirely unnoticed by the regional community. It is likely that Chinese foreign policy makers will institute a new directive replacing the aged non-alignment doctrine. The newer model presumably will continue to advance the flow of goods and services from the periphery to the core while at the same time increasing the benefits of exchange for all parties involved.


16. Reeves, Jeffrey (Associate Professor, Daniel K Inouye Asia-Pacific Center for Security Studies), Interviewed by James Bilko, Oahu, HI, July 2016, Transcript, Notebook, Oahu, Hawaii.


