

The Rise of China: The Sustained Development of the World System or the End of It?*

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Abstract: It has been a controversial issue in the past thirty-odd years in academic circles at home and abroad whether China's economic rise as a unique development model sustains and supplements the world system or brings an end to it. This article makes an analysis of the basic features of the three historical stages of the world system established 500 years ago from the perspective of the relationship between the world system and the rise and fall of countries. The analysis finds that the stages of mercantilism (1500-1750/1800), liberal economy (1800/1850-1914/1945) and mixed economy (1945-2030) were mainly based respectively on "geographical discovery" and "colonialism," "industrial revolution" and "free trade," and "economic globalization" and "system innovation." For the above-mentioned reasons, "geographical discovery," "international trade and finance," "science and technology" and "international institutions and mechanisms" are the four fundamental driving forces that the world system has depended on for its existence for 500 years. The world system provided a context for the rise and fall of each individual country in the past 500 years, while the economic success China has achieved in the past three decades mainly benefits from its constant integration into this world system still in existence today. Therefore, the challenge to China in its future development will come, to a great extent, from the world system and its impact on China's domestic politics, economy and social structure.

Keywords: world system, historical driving force, the rise of China

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Studies of economic history have shown that before the 16th century and outside Europe, there not only existed different kinds of regional world-economies but that they also enjoyed great prosperity and some of them even took the lead in the world in terms of economic development. China, Mesopotamia, Egypt, and the Indus Valley in the 13th century are often mentioned by scholars as examples of this.¹ Economic historians are generally agreed that the world before the 16th century possessed two basic features: one is that there were a great number of regional world-economies each of which had its own independent system of division of labor and economic structure; the other is that there existed some connection between those economies which relied mainly on distant trade without a unitary world economic structure.

The geographical discovery of the 16th century transformed not only Europe but also the world; the whole economy of which exhibited three characteristics. Firstly, with the advent of the capitalist mode of production in Western Europe, the economy in this region developed rapidly, gradually overtaking other regions in the world. “By the year 1000, its income levels had fallen below those of Asia and North Africa. In its lengthy resurrection, it caught up with China (the world leader) in the fourteenth century. By 1820, its levels of income and productivity were more than twice as high as in the rest of the world.”² Secondly, the capitalist world-economy which originated in Western Europe continued expanding towards other regions, eventually culminating in the formation of a global capitalist world-economy. Thirdly, the capitalist world-economy was globally structured with core and peripheral areas. Although in the competitions thereafter, countries in the core and peripheral areas kept changing all the time; the structure of core and periphery has persisted till today.

The difference between the world before the 16th century and that after the 16th century poses two correlated questions to scholars: how did the capitalist world-economy in its gradual formation after the 16th century come into being? How did those countries and regions which joined this system one after another rise and fall? In the words of Immanuel Wallerstein, a renowned expert on the world system, “We must reopen the question of how and when the capitalist world-economy was created in the first place; why the transition took place in feudal Europe rather than elsewhere; why it took place at that time instead of happening earlier or later; why earlier attempts of transition failed. This is not merely an exercise in archeological reconstruction; it is rather essential to the full comprehension of the nature of our present system.”³

In order to answer the two correlated questions, it is necessary for us to look back on the three stages in the past 500 years of world history: classic mercantilism from 1500 to 1750/1800, classic liberalism and classic Marxism from 1800/1850 to 1914/1945, and the mixed economy arising from 1945 to 2030/2035.

1 For a comprehensive review of this issue, please refer to Wang Zhengyi, *The World System and China*, Beijing: the Commercial Press, 2000, pp. 276-286 (王正毅:《世界体系论与中国》,北京:商务印书馆2000年版,第276-286页)。

2 Angus Maddison, *The World Economy: A Millennial Perspective*, translated by Wu Xiaoying et al., Beijing: Peking University Press, 2007, p. 37 ([英]安格斯·麦迪森:《世界经济千年史》,伍晓鹰等译,北京:北京大学出版社2007年版,第37页)。

3 Immanuel Wallerstein, *The Capitalist World-economy*, Cambridge: Cambridge University Press, 1989, p. 135.

1. The World System and Its Historical Stages

So far there have been many assertions about the turning point of human history, but according to the transformation of production modes there were two major watersheds in human history: one was the revolution in the Neolithic Age; the other was the establishment of the modern world system. Just as Immanuel Wallerstein said, “One of the major assertions in the world social sciences is that in human history there were some defining watersheds, one of the marks of which was the revolution in the Neolithic Age or agricultural revolution, though only a few social scientists study it; the other vital watershed was the creation of the modern world.”⁴

If we say that new stone implements empowered human society to enter the age of agricultural revolution, then the establishment of the modern world system ushered human kind into the era of the capitalist world-economy which originated from the European world-economy around 1500.

Over the past 500 years of human history, with geographical discovery and colonialism, the European world-economy originating around 1500 continued expanding towards other regions (Latin America, Africa, Oceania and Asia), and by the end of the 19th century it completed the process of global expansion. Next, we will make a detailed analysis of the process of expansion of this world system and the corresponding rise and fall of nation-states in three periods of time.

1.1 The First Period (1500-1750/1800)

During the 250 years (1500-1750), five countries in Western Europe (Portugal, Spain, the Netherlands, Britain and France), despite their different cultures and civilizations, underwent a great transformation of their domestic mode of production through geographical discovery and the implementation of colonial policies. The transformation of their mode of production not only led to the increase of these five countries' wealth and their national strength but also the augmentation of the world's wealth. This new mode of production, in a later term, is the capitalist mode of production and thus the economic activity conducted in this mode of production has been called by later generations a “capitalist economy.”

Until now, there has been no clear-cut definition of capitalism. Some scholars even point out that Marx never used the term “capitalism.”⁵ The meaning of capitalism in the course of its early development is not the same as we understand it today. What we refer to as capitalism today did not become an ideology until after the 20th century. However, from 1500 to 1750/1800, capitalism in these five countries was a mode of production as well as a way of life; at the same time it was also a national strategy for development, which is well-known to people as mercantilism. Looking back into the

4 Immanuel Wallerstein, *The Capitalist World-economy*, pp. 160-161.

5 Fernand Braudel, *Civilization and Capitalism, 15th-18th Century* (Vol. 2), translated by Gu Liang, Beijing: SDX Joint Publishing Company, 1993, pp. 235-243 (〔法〕费尔南·布罗代尔:《15至18世纪的物质文明、经济和资本主义》(第三卷), 顾良译, 北京:生活·读书·新知三联书店 1993年版, 第235-243页)。

history, we may find that because of the huge differences between these five countries in the endowment of natural resources, national customs and culture, the specific policies of mercantilism the five countries implemented took on different forms, just as economist A. Oncken said, “Mercantilism found full expression in French workshop handicraft, Spanish and Portuguese trade with their colonies, and Dutch shipping and intermediary trade. In Britain, it went even further, involving agriculture. It turned out that there was agricultural mercantilism.”⁶

In about 250 years (1500-1750/1800), these five countries finished their primitive accumulation of capital and became capitalist countries competing and even fighting wars with each other. By around 1750, with its agricultural revolution, industrial advantage and the innovation of commercial system, the Netherlands with a population of 1.5 million moved the core of the European regional-economy from the Mediterranean to the Baltic Sea and made itself a global empire of commerce with silver in Latin America and spice in Asia.⁷

1.2 The Second Period (1800/1850-1914/1945)

In the ensuing 150 years (1800/1850-1914/1945), another four countries in the world became part of this capitalist world-economy, entering into the world system arising first in Western Europe. These four countries were respectively: Germany, which began to catch up with Britain the moment it achieved its unification through dynastic wars⁸; czarist Russia which carried out the reform of serfdom in 1861⁹; the United States which embarked on industrialization in the early 1790s¹⁰; and Japan that launched Meiji Reform from top to bottom in 1868. Through different treaties signed with foreign countries such as the Japan-US Treaty of Peace and Amity in 1854 and other treaties (Treaty of Amity and Commerce) concluded with the United States, Netherlands, Russia, Britain and France respectively, in 1858 Japan made a direct entry into the system.¹¹ As of 1914, the capitalist world-economy which originated in Western Europe was composed of nine countries (Portugal, Spain, the Netherlands, Britain, France,

6 Д.И.Розенберг, *The History of Political Economics* (Vol. 1), translated by Li Xiagong, Beijing: SDX Joint Publishing Company, 1978, p. 40 ([苏] 卢森贝:《政治经济学史》(第一卷), 李侠公译, 北京: 生活·读书·新知三联书店 1978年版, 第40页)。

7 Wang Zhengyi, “The ‘Dutch Miracle’ in the Mid-17th Century,” in Wang Zhengyi: *The World System and the Rise and Fall of Nations*, Beijing: Peking University Press, 2006, pp. 108-117(王正毅:《17世纪中叶的“荷兰奇迹”》, 载王正毅:《世界体系与国家兴衰》, 北京: 北京大学出版社 2006年版, 第108-117页)。

8 Charles P. Kindleberger, *World Economic Primacy: 1500-1990*, translated by Gao Zugui, Beijing: the Commercial Press, 2003, Chapter 9 ([美] 查尔斯·P. 金德尔伯格:《世界经济霸权 1500-1900》, 高祖贵译, 北京: 商务印书馆 2003年版, 第9章); John H. Clapham, *The Economic Development of France and Germany 1815-1914*, Cambridge: Cambridge University Press, 1936; W. O. Henderson, *The Industrial Revolution on the Continent: Germany, France, Russia 1800-1914*, London: Frank Cass, 1961; Thorstein Veblen, *Imperial Germany and the Industrial Revolution*, New York: The Macmillan Company, 1915.

9 James Mavor, *An Economic History of Russia* (2 vols.), Second Edition, London, 1925.

10 Emily S. Rosenberg, *Spreading the American Dream: American Economic and Cultural Expansion 1890-1945*, New York: Hill and Wang, 1982.

11 Ono Kenichi, *From Edo to Heisei: Unravelling the Mystery of Japan's Road to Economic Development*, translated by Zang Xin and Zang Xinyuan, Beijing: Citic Press, 2006 (大野健一:《从江户到平成:解密日本经济发展之路》, 臧馨、臧新元译, 北京: 中信出版社 2006年版)。

Germany, the United States, Russia and Japan). In nearly 150 years (1800/1850-1914/1945), with the increase of the nine countries' wealth and strength, competition intensified, conflicts became constant and large-scale wars broke out between them. The most famous ones were the First and Second World Wars. From 1800/1850 to 1914, one country emerged victorious as a hegemonic power in the competitions between those countries—Britain in the mid-nineteenth century. Relying on the Industrial Revolution, free trade and the International Gold Standard, it became the second superpower (hegemony) in the five hundred year history of the capitalist world-economy by defeating the challenges from Portugal, Spain and France and replacing the Netherlands. While empowering Britain to become a classic example of the capitalist world-economy, the Industrial Revolution and free trade ushered in the first Golden Period (1850-1900) of the capitalist world-economy.¹²

1.3 The Third Period (1945-2030/2035)

One fact worth our special attention is that the capitalist world-economy did not end with the First and Second World Wars. Instead, it not only survived the two wars but was also strengthened in both depth and scope. The capitalist world-economy since 1945 has appeared the following four outstanding features.

Firstly, its scope is much wider, involving not only developed countries but also developing countries and even countries in transition. Since the 1950s, the capitalist world-economy has become a system with an unprecedented scope, with more countries and regions in the world joining this world system, including Nigeria and South Africa in Africa, India in South Asia, Brazil in Latin America, the Four Little Tigers (Korea, Singapore, and regions like Hong Kong and Taiwan) in Asia, the four ASEAN countries (the Philippines, Indonesia, Malaysia and Thailand), the countries in the Commonwealth of Independent States, Eastern European countries after the end of Cold War, and China and Vietnam after enacting reform and opening-up policies.

Secondly, there was greater variety in the choice of system characterized by the mixed economy. As opposed to the leading position occupied by the then relatively unitary mercantilism (the 16th-18th century) or liberalism (from the latter half of the 19th century to the 1950s and the 1970s), there was more diversity in the choice of system with a large number of countries joining the capitalist world-economy after the 1950s: the laissez-faire market economy in Britain and the United States, the social welfare-oriented market economy in Northern Europe, the development capitalist system in Japan, Confucian capitalism in Singapore, the capitalist system of social market in Germany and the socialist market economy in China.

Thirdly, competition with one another became more intense, the most prominent being the competition for leadership. In the development process of the world economy in the past 500 years, the competition for hegemony or leadership has not ceased for a single moment and it has remained so since 1945. Since it became a hegemonic power

12 Charles P. Kindleberger, *World Economic Primacy: 1500-1900*, pp. 201-242 ([美] 查尔斯·P. 金德尔伯格:《世界经济霸权 1500-1900》,第 201-242 页).

or a leading country in the world economy, the United States has been challenged by other countries. At first, the challenge came from the European Community which had been founded by European countries in the 1960s in the fields of agriculture (common agricultural policy) and finance (special drawing rights) and finally ended as a result of the global economic crisis (1973-1974). Then the challenge was posed by Japan in trade (five rounds of trade friction between the United States and Japan) after Japan became the second largest economy of the capitalist world-economy in 1968 and ended up in Japan's economic stagnation (1991-2000). The most recent challenge was given by developing countries (India and China in particular) in the trade of intellectual property rights and agricultural products and was kept in abeyance owing to the global economic crisis (2007-2008).

Fourthly, the time of its turning point is more uncertain mainly because of the rise of China. The capitalist world-economy has been in existence for 500 years but how long will it persist as an economic system? This question is often thought over by scholars and policy-makers alike and is constantly asked on account of China's participation in this system and its sustained economic growth. Since the implementation of the Reform and Opening-up policy in 1978, China has been actively integrating itself into the world economy, which is mainly represented by its accession to the International Monetary Fund in 1980, the global organization for money and finance, and the World Trade Organization in 2001, the global organization for trade. American academic circles made a prediction about China's economic prospects: in terms of the economic growth rate of China and the United States, from 1993 to 2004, China's annual average growth rate was 9.6% while that of the United States was 3.3%. If the two countries' economies increase at the annual average growth rate in the past ten years, China will outstrip the United States in economy by 2035. With regard to per capita GDP of the two countries, per capita GDP of the United States was US\$42,000 in 2005 while that of China was US\$1,700, accounting for only 1/25 of that of the United States. And by 2035, China's per capita GDP will increase to US\$10,000, 1/4 of that of the United States.¹³ Just as it was concerned about Japan in the 1970s and 1980s, the international community has shifted its target of concern to the rising China since the middle of the 1990s. Its concern about China is mainly focused on the following two questions: firstly, can China take the place of the United States as the leader of world economy in about 2030/2035? Secondly, if China becomes the leader of the world economy, will it change the rules of the world economy which have lasted for 500 years?

2. The Four Fundamental Driving Forces for the Existence of the World System

In the past 500 years, the capitalist world-economy as a historical system has kept expanding since its origination first from Western Europe then to the whole world.

13 C. Fred Bergsten, Bates Gill, Nicholas R. Lardy and Derek Mitchell, *China: The Balance Sheet*, NY: Public Affairs, 2006, p. 19.

Herein laid a crucial question that we need to answer: what are the driving forces for the existence of this historical system? According to the author, there are four major driving forces for the development of the capitalist world economy as a historical system (world system) for 500 years, namely: geographical discovery, international finance and trade, science and technology, and international institutions/mechanisms.

2.1 Two Geographical Discoveries

The first great driving force for the persistence of the world system for 500 years is “Geographical Discovery.” As a proper noun, it refers to a series of nautical explorations throughout the world by Western European countries, represented by Spain and Portugal, in search of new trade routes and trade partners. In 1453 when Constantinople, the capital of Eastern Roman Empire, was captured by the Ottoman Empire, the trade routes by land and by sea from Western Europe to the Oriental countries were controlled by the Turks and the Arabs, meaning that the Europeans therefore had to look for new trade routes to acquire commodities such as spices. Sponsored by the royal families of some European countries like Portugal and Spain, navigators such as Dias, Columbus, da Gama and Magellan made a range of sea voyages across the Atlantic Ocean, the Indian Ocean and the Pacific Ocean in the hope of reaching the wealthy East. They discovered America and other unknown areas, and opened up new sea routes for trade, empowering human knowledge of the world to come to an unprecedented height.

The geographical discovery made by Western Europe brought about a revolution in the West, the significance of which lies in the following two aspects. For one thing, the significance of the geographical discovery to Western European countries is that after a long time of economic stagnation, these countries found new space for national survival. With the geographical discovery came colonialist policies adopted by these countries. Through these policies, they acquired not only precious metals such as gold and silver but also raw materials for economic development, finishing the primary accumulation of capital. As a result of geographical discovery therefore, the wealth and strength of these countries increased dramatically. In the 400 years that followed, colonialism became an important policy means by which many countries expanded their space for survival and engaged themselves in the primary accumulation of capital. For another, the significance of geographical discovery is that it reversed the relations of Europe and Asia. In the words of geologist Halford J. Mackinder:

The broad political effect was to reverse the relations of Europe and Asia, whereas in the Middle Ages Europe was caged between an impassable desert to the south, an unknown ocean to the west and icy or forested wastes to the north and north-east, and in the east and south-east it was constantly threatened by the superior mobility of the horsemen and camel men. Europe now emerged upon the world, multiplying more than thirty-fold the sea surface and coastal lands to which she had access,

wrapping her influence round the Euro-Asiatic land-power which had hitherto threatened her very existence.¹⁴

Colonialism stepped down from the stage of history with the end of the Second World War and colonial countries and regions began to turn themselves into politically independent and sovereign states. The world economy was decidedly divided into two forms for ideological confrontation: the capitalist world-economy and anti-capitalist world-economy (socialist planned economy). The former was further strengthened with the establishment of Bretton Woods system while the latter, despite the establishment of Council of Mutual Economic Assistance, eventually dissolved with the end of the Cold War because of its failure to form a unitary world market. Although the international community remains divided on the political implication of the collapse of Berlin Wall in 1989 and the end of the Cold War, the understanding of its economic significance is almost unanimous: as a regional world-economy in the past, the world economy began to become a genuine global world-economy or global economy. With the participation of American and Asian countries, the world economy originating in Western Europe kept expanding to other areas of the world, but it did not become a global economy because of ideological confrontation. Only after 1989 did the world economy become a global economy in a real sense with the participation of Russia, countries in Eastern Europe, China, and Vietnam.

In the 1990s, with the development and application of computer technology, human history witnessed the second geographical discovery marked by the laying of optical fiber cables around the globe (on land and under the sea) and the passage of the Telecommunication Act of 1996 in the United States. The difference between the geographical discovery of the 1990s and that of the 1500s can be seen in the following three aspects. Firstly, geographical discovery in the 1500s originated in Western European countries while the principal driving force for the geographical discovery in the 1990s was the United States. Secondly, in the process of their expansion to other regions, Western European countries which made geographical discoveries in the 1500s mainly relied on colonial policies and state-led companies (such as the West India Company and the East India Company) to acquire raw materials, such as gold and silver in America, and pepper and spice in Asia. This kind of expansion is characterized by the plunder of tangible resources, while the geographical discovery propelled by the United States in the 1990s mainly depended on multinational corporations and international mechanisms to obtain human resources in the process of its expansion featuring the plunder of intangible resources, such as outsourcing to India and other developing countries and the off-shore economy in China. Thirdly, the geographical discovery made by Western European countries in the 1500s brought about ceaseless wars between countries whereas that made by the United States in the 1990s was

14 Halford John Mackinder, *The Geographical Pivot of History*, translated by Lin Erwei and Chen Jiang, Beijing: the Commercial Press, 1985, p. 58 ([英]哈·麦金德:《历史的地理枢纽》,林尔蔚蓝、陈江译,北京:商务印书馆1985年版,第58页).

accompanied by economic conflicts and cooperation between related countries on a global scale.

2.2 International Trade and Finance

The second driving force for the continuation of the world system for 500 years is trade and finance. Trade is a relatively ancient category. “For centuries, the taxation of trade was one of the most important sources of wealth for political elites and for imperial powers. Many empires developed at trade crossroads and fought to control the trade routes of Asia, Africa and the Middle East.”¹⁵

After the appearance of the system of nation-states in 1648, all countries still utilized trade as an impetus for their increase of wealth, thereby creating the well-known system of mercantilism (1500-1750/1800) in European history. Trade is the core of mercantile policy but there is a difference in the core concerns of the specific policies adopted by different countries as to the way of trading. In the two historical periods that followed (1750/1800-1914/1945 and 1945-2030/2035), trade was still an important means for individual countries to increase their wealth. The years (1870-1913 and 1945-1970) were referred to as the two “golden periods” of the capitalist world-economy. In the first golden period, free trade not only empowered Britain to fulfill its dream of hegemony but also promoted the overall increase of wealth in the capitalist world-economy. Statistics indicate that from 1870 to 1913 the annual average growth rate of the total amount of the world’s GDP was 2.1% and the annual average growth rate of the world’s GDP per capita was 1.3% while trade accounted for 2% of the world’s GDP in 1800 and for close to 21% in 1913.¹⁶ In the second golden period, the establishment of the General Agreement on Tariffs and Trade as a free trade system enabled the economy of the United States and the world to develop rapidly. Economic statistics show that the world economy from 1950 to 1973 grew faster than in any other periods before with the annual average growth rate of the world’s GDP per capita being 2.9% (which means it doubled every 25 years), the annual average growth rate of the total amount of the world’s GDP was 4.9% and the annual average growth rate of world trade was about 8%.¹⁷

International trade and finance has always been the engine for the development of the world economy and a powerful driving force for Western developed countries to accumulate wealth. After the collapse of the Western colonial system with the end of the Second World War, although vast numbers of developing countries that were once colonies became politically independent and sovereign nation-states, they did not

15 Robert Gilpin, *The Political Economy of International Relations*, translated by Yang Yuguang, Shanghai: Shanghai People’s Publishing House, 2006, p. 159 ([美] 罗伯特·吉尔平:《国际关系政治经济学》, 杨宇光译, 上海: 上海人民出版社 2006 年版, 第 159 页).

16 Angus Maddison, *Monitoring the World Economy 1800-1992*, Development Center of the Organization for Economic Cooperation and Development, Paris, 1995, p. 60; Elhanan Helpman, *The Mystery of Economic Growth*, translated by Wang Shihua et al., Beijing: China Renmin University Press, 2007, p. 6 and p. 52 ([美] 赫尔普曼:《经济增长的秘密》, 王世华等译, 北京: 中国人民大学出版社 2007 年版, 第 6 页、第 52 页).

17 Angus Maddison, *Monitoring the World Economy 1800-1992*, p. 60; Angus Maddison, *The World Economy: A Millennial Perspective*, p. 8 ([英] 安格斯·麦迪森:《世界经济千年史》, 第 8 页).

sever their economic connections from the capitalist world-economy they had been engaged in. Instead, they adopted almost identical national strategies for economic development, namely, “import substitution” and “export-orientation,” which became an important component of the capitalist world-economy. Different from the former colonial economies, these developing countries themselves formulated development strategies with established sovereignty. For example, most countries in Latin America in the 1960s pursued a “dependent development strategy,” the countries in Southeast Asia (Thailand, Malaysia, Indonesia, the Philippines and Singapore) implemented the strategy of “import substitution” (for the manufacturing industry) and “export-orientation” (of rubber industry), and the countries of OPEC in the Middle East adopted a strategy integrating “export-orientation” (of the petroleum industry) with import substitution (for the manufacturing industry). The export-oriented products of these developing countries were mainly targeted at the market of Western developed countries while the origin of the goods of import substitution was principally the market of Western developed countries. As for the socialist bloc established by the Soviet Union, because of its opposition to the market economy, its economy featured mutual assistance and was simply nothing compared with the capitalist world-economy in terms of trade volume and variety despite some trade between its member countries. However, the majority of the countries in Africa were essentially recipients of foreign assistance, almost dissociating themselves from the world market.

During the development process of the world system, finance and trade were of equal importance. With the first geographical discovery came the mining of gold and silver which became an important means of value storage and value exchange due to their status as precious metals. From 1500 to 1750, gold and silver were not only symbols of individual countries’ wealth but also an important means of payment for international trade, thus becoming European countries’ major targets for overseas plunder. The findings of research in economic history indicate that in 1500, the reserves of gold and silver in Europe were 3,600 tons and 37,000 tons respectively while from 1493 to 1800, 85% of gold output and 70% of silver output in the world came from Latin America. In America alone, the output of silver in the 17th century was 42,000 tons, 31,000 tons of which was shipped to Europe whereas 12,400 tons of the silver was transported to Asia; in the 18th century, the output of silver there was 74,000 tons, about 52,000 tons of which was transported to Europe whereas 20,800 tons of the silver was shipped to Asia.¹⁸ Therefore, gold or silver could be used as means of trade payment during this period.

The actual use of gold as the only international currency resulted from the promulgation of the Resumption Act by the British Parliament in 1819. The act demanded that the Bank of England resume its business of exchanging currency with gold at a fixed rate which had been suspended for four years after the breakout of the Napoleonic Wars (1793-1815). The Resumption Act marked the official adoption of

18 Gunder Frank, *Reorient: the Global Economy in the Asian Age*, translated by Liu Beicheng, Beijing: Central Compilation & Translation Press, 2000, pp. 202-211 (〔德〕贡德·弗兰克：《白银资本：重视经济全球化中的东方》，刘北成译，北京：中央编译出版社，2000年版，第202-211页）。

the Gold Standard.¹⁹ It first came into use in Britain and its colonies and by 1870s many other countries gradually followed suit, including Germany (1872), Scandinavian countries (1873), the Netherlands (1875), Belgium, France, Switzerland (1878) and the United States (1879). Up to 1879, many industrialized countries had adopted the Gold Standard. Although there were political debates in many countries over the adoption of the Gold Standard during the economic crisis (1873-1896), the Gold Standard was strengthened with the rise of gold prices after the crisis, countries such as Japan and Russia (1897), Argentina (1899), the Austro-Hungarian Empire (1902), Mexico (1905), Brazil (1906) and Thailand (1908) embracing the Gold Standard. Up to 1908, except for China and Persia (now Iran) which did not use gold for their import payments,²⁰ nearly all countries accepted the Gold Standard as a system of a fixed exchange rate.

The Gold Standard came to an end with the policy of benefiting oneself at the expense of others pursued by some countries during the First and Second World Wars, but the iron rule did not change that a stable international monetary system and appropriate monetary policies are “stabilizers” of world economic growth which was the main reason for the emergence of the international monetary system after the Second World War based on the “double pegged” system (in which the US dollar was pegged to gold and the currencies of other countries to the US dollar). Even after 1976, the international monetary system began shift from fixed exchange rates to floating exchange rates, the establishment of a stable international monetary system remained a goal pursued by individual countries to sustain their economic growth.

2.3 The Advancement of Science and Technology

The third driving force for the existence of the world system for 500 years is the development of science and the progress of technology. Before the 15th century, humankind had scored a great number of achievements in scientific research and technology, such as mathematics in ancient Greece, China’s “Four Great Inventions,” and astronomy in Babylon, however, this kind of scientific knowledge was not only scattered but also intertwined with religion and philosophical thinking. The Renaissance in Europe (1440-1540) laid an ideological and social foundation for the birth of modern science but the real revolution in modern science took place mainly in the 17th and 18th centuries.²¹ Compared with the scientific research before, modern science had the following three essential features:²² Firstly, the nature of research made a gradual

19 Paul R. Krugman and Maurice Obstfeld, *International Economics* (Fifth Edition), translated by Hai Wen et al., Beijing: China Renmin University Press, 2002, p. 510 ([美] 保罗·克鲁格曼、毛瑞斯·奥伯斯法尔德:《国际经济学》(第五版), 海闻等译, 北京: 中国人民大学出版社 2002 年版, 第 510 页)。

20 Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the Twentieth Century*, New York: W. W. Norton & Company Ltd., 2006, pp. 6-17.

21 J. D. Bernal, *Science in History*, translated by Wu kuangfu et al., Beijing: Science Press, 1981, pp. 214-288 ([英] J.D. 贝尔纳:《历史上的科学》, 伍况甫等译, 北京: 科学出版社 1981 年版, 第 214-288 页)。

22 Abraham Wolf, *The History of Science, Technology and Philosophy in the 16th and 17th Centuries* (Vol. 1), translated by Zhou Changzhong et al., Beijing: the Commercial Press, 1997, pp. 1-15 ([英] 亚·沃尔夫:《十六、十七世纪科学、技术和哲学史》(上册), 周昌忠等译, 北京: 商务印书馆 1997 年版, 第 1-15 页)。

shift from abstract philosophical thinking to relatively numerical and experimental description. Scientific works including Nicolaus Copernicus' *On the Revolutions of Heavenly Bodies* (1543), William Harvey's *Blood Circulation Theory* (1628), Isaac Newton's *the Mathematical Principles of Natural Philosophy* (1687), and Charles Darwin's *On the Origin of Species* (1859) led the way for experimental sciences such as astronomy, biology, physiology and physics. Secondly, the attitude to knowledge gradually became secular instead of the arrogant contempt of nature and society shown by religious (Christian) dogmas in the Middle Ages. This attitude was embodied by some measures of which the most important one adopted was the establishment of a series of research institutions to promote scientific experiments, such as Academia del Cimento in Florence (1657), the Royal Society in London (1662), the Academy of Sciences of Paris (1666) and the Royal Greenwich Observatory for the sake of the British Navy. The third feature was the application of scientific instruments. Compared with some very simple scientific instruments used before, the 17th century witnessed the invention of six very important scientific instruments, namely, the telescope, the microscope, the thermometer, the barometer, the air exhauster and the pendulum clock. Because of their application, people's knowledge of the natural world in which they were living became more accurate and precise.

The progress in modern science and technology was made not for its own sake. More importantly, the integration of the scientific revolution with the industrial revolution promoted the economic and social development of Europe, which took place first in the Netherlands and then in Britain.

In the 17th century, in order to reclaim wasteland, the Netherlands with its infertile soil accomplished the innovation of agricultural technology by using windmills to drain marshland. Because of the invention of Dutch driers and the progress in dyestuff-making technology, the textile industry of the Netherlands developed rapidly. The advancement in ship-building technology greatly reduced the cost of Dutch galliot-making which accounted for less than two thirds of that in Britain. Technological advancement empowered the Netherlands to become not only the centre of "Wooden Machinery Age,"²³ but also a global commercial empire.

In Britain in the 17th century, the advancement of science and technology promoted not only the development of extractive and textile industries but also that of communication and transportation industries.²⁴ The emergence and constant improvement of air pumps based on aerostatics and hydrostatics solved the three problems that had been plaguing the extractive industry: water leakage in mines, the limited provision of fresh air and the difficulty in elevating ore to the ground, enabling Britain to lead the world in the extraction of coal, iron, tin and copper. The invention of spinning machines and looms made it possible for textile industry to engage in mass

23 Wang Zhengyi, "The 'Dutch Miracle' in the Mid-17th Century," in Wang Zhengyi, *The World System and the Rise and Fall of Nations*, pp. 108-117 (王正毅:《十七世纪中叶的“荷兰奇迹”》,载王正毅:《世界体系与国家兴衰》,第108-117页)。

24 Robert K. Merton, *Science, Technology and Society in Seventeenth Century England*, translated by Fan Dainian et al., Beijing: the Commercial Press, 2002, pp. 184-251 ([美]罗伯特·金·默顿:《十七世纪英格兰的科学、技术与社会》,范岱年等译,北京:商务印书馆2002年版,第184-251页)。

mechanized production, thus turning Britain into the centre of textile industry. The economic significance of mathematics and astronomy consists in the fact that they not only made the calculation of navigation lines, distance, longitude and latitude more accurate but also promoted the development of the British navigation and oceanic shipping industry. All of these played a key role in Britain's rising to a hegemonic power in the world economy.

The advancement of science and technology continued being one of the driving forces for the world economy after the 20th century, not only transforming the human mode of production and way of life but also being a major indicator of national competitiveness. It was even more so for the development of computer technology since the 1970s which is usually referred to as "the Third Industrial Revolution."²⁵ The application of computer technology and communicative networks have transformed not only the mode of production in the world, for example, the prevalent "outsourcing" worldwide today, but also our usual way of communication with one another; more importantly, it has helped the United States expand its intangible national space of existence and continue maintaining its leadership in world economy with those new technologies.

2.4 International Institutions/Mechanisms

The fourth driving force for the existence of the world system for 500 years is the building of international institutions and mechanisms, which are an effective way to promote cooperation between countries and avoid conflicts or even wars. Institutions or mechanisms refer to, within a system, a series of rules, regulations, provisions and procedures that restrict, regulate and legalize the action of its participants without which their action would be deemed illegal.

In the establishment and development of the world system in the past 500 years, institutions found their expression in all the fields of the capitalist world-economy. In the political field, the institutions and mechanisms of cooperation between countries were established mainly through the signing of treaties and agreements. The realization of "the balance of power" through the signing of treaties was an important experience of European countries to conduct cooperation between countries and avoid wars. In trade, the institution of free trade to avoid the protectionism benefiting oneself at the expense of others in the 1930s has been the goal pursued by related countries since 1945, hence the creation of the General Agreement on Tariffs and Trade and the World Trade Organization. In the financial and monetary field, the Gold Standard (1870-1914), the "double pegged" system of the Bretton Woods system (1944-1976) and the founding of the International Monetary Fund were actually the embodiment of international monetary institutions. The institutions of cooperation between countries ushered in two golden periods for the capitalist world-economy, that is, the world economy between 1870 and 1914,

25 Jeremy Rifkin, *The Third Industrial Revolution*, translated by Zhang Tiwei and Sun Yuning, Beijing: Citic Press, 2012 ([美]杰里米·里夫金:《第三次工业革命》,张体伟、孙豫宁译,北京:中信出版社,2012年版).

and that between 1945 and 1970.

Wars are the biggest threat to the institutions and mechanisms of cooperation between countries. Despite the thirst of human society for peace, in the development of the capitalist world-economy in the past 500 years, conflicts and wars have never ceased. Putting into perspective the 500 years in human history we may find that wars generally take on the following three forms: The first is that each side of a war aims to kill the other side. All military wars in history belonged to the first form, including the “Thirty Years’ War” in Europe and the First and Second World Wars. The second is that one side of a war takes it as its goal to end the lives of both sides, such as the Japanese pilots in the Pacific War in 1941 and terrorism blustering for a time in recent years. Last but not least, one side of a war for various reasons cannot bring an end to the lives of another side but arouse in the latter horror about the significance of existence. Various economic sanctions are typically representative of this form of war.

3. Challenges to the Rise of China

Since the 1980s, with its constant integration into the world system China has witnessed unprecedented economic growth, replacing Japan as the second largest economy in the world system in 2010. Although scholars have remained divided over China’s model of development, it seems that the international community and China share opinions about the following point: like many developed countries, China has been developing in the context of the world system. Now the key issue is what challenges China will confront in its sustained economic development.

According to the author, like many countries which started to develop much earlier, China as a late starter in the world system will also be confronted with four challenges from the world system in its sustained economic development.

3.1 The First Challenge: Safeguarding Sovereignty and Expanding National Space for Existence

Like all countries in history, after its integration into the world system, the first challenge China confronted with was the maintenance and expansion of national space for existence. This challenge consists of two parts: one is tangible space for existence and the other is intangible space for existence. As for the former, the biggest challenge China faces is issues of territory and territorial waters. The “Taiwan Question” has become the most sensitive issue between China and the United States. “The Diaoyu Islands issue” is a problem that Sino-Japanese relations cannot go beyond. “The South China Sea issue” has become a question that China and the related countries in Southeast Asia can hardly avoid, directly affecting the cooperative process in East

Asia.²⁶ As far as intangible space of existence is concerned, with China's economic rise, the biggest challenge to China is how to cope with the concept of "China Threat." This concept sprang up in the 1990s and became less influential after China proposed its strategy of "peaceful rise" or "peaceful development" but has not died out. For example, Britain and some Western countries referred to China's investment in Africa as "new colonialism" and compared it to the "colonial policy" they had once practiced there.²⁷ The United States and Canada conducted an investigation into the Chinese company Huawei's foreign investment for reasons of national security.²⁸

The maintenance and expansion of national space for existence had once been an important national strategy for development pursued by many developed countries in the world system from the 16th to the 20th centuries. Through "geographic discovery" and colonial policies, these developed countries increased their wealth and national strength, creating a unitary "capitalist world-economy" through mutual cooperation. Though these countries conflicted and even fought wars with one another for their own interests, it did not change the trend of capitalist world-economy expanding globally in geography. China was a late starter in development and with its constant integration into this world economy, its domestic economy is developing rapidly but when Chinese enterprises implement the strategy of "going global" to expand the space for existence, they are bound to meet with barriers set up by developed countries. Therefore, how to address these international pressures is the first and foremost challenge China will face while maintaining and expanding its national space for existence.

3.2 The Second Challenge: Dependence on the International Market and Structural Adjustment of the Domestic Market

Foreign trade and foreign direct investment have been important driving forces behind China's rapid economic growth in the past thirty years. The proportion of China's foreign trade in its GDP rose dramatically from 30% in 1990 to 65% in 2007. After that despite some drop, it remained 50% between 2010 and 2011. The degree of China's dependence on foreign trade (the proportion of export in its GDP) went up from 16% in 1990 to 36% in 2007, staying at 26% in 2011.²⁹ Even in terms of China's opening-up, the proportion of China's imports in its GDP rose from 5% in 1978 to 30% in 2005, remaining 24% in 2011 which was nearly twice that of the United States and three times that of Japan in the same period.³⁰ When it comes to foreign direct investment, China attracted a total amount of US\$852.613 billion of direct foreign investment from 1979 to 2008³¹ and was the developing country which attracted the largest amount of

26 Wang Zhengyi, *On the Development of Peripheral Regions: the World System and the Development of Southeast Asia*, Shanghai: Shanghai People's Publishing House, 1997, pp. 95-129 (王正毅:《边缘地带发展论:世界体系与东南亚的发展》,上海:上海人民出版社1997年版,第95-129页).

27 "The new colonialists: A 14-page special report on China's quest for resources," *The Economist*, March 15th-21st, 2008.

28 "Who's afraid of Huawei," *The Economist*, August 4th, 2012.

29 Computed according to the statistics of related years, from *China Statistical Yearbook*, compiled by China State Statistical Bureau.

30 C. Fred Bergsten, Bates Gill, Nicholas R. Lardy and Derek Mitchell, *China: The Balance Sheet*, p. 84.

31 Wang Zhengyi, *An Introduction to International Political Economics*, p. 495 (王正毅:《国际政治经济学通论》,第495页).

direct foreign investment in the same period in the world. Despite the global financial crisis in 2008, global direct transnational investment is on the increase, with developed countries mainly engaged in transnational acquisition and developing countries and transitional economic entities relying heavily on green field investment. In 2011, direct foreign investment flowing into China reached its highest level, amounting to US\$124.0 billion.³² Driven by foreign trade and the attraction of direct foreign investment, China has become a world producer with the proportion of industry in its GDP reaching 46.4%.³³ In 2010, China eventually became the second largest economy in the world with its gross amount of nominal GDP exceeding that of Japan. What is more important is that China has not only become one of the most open countries on the global market because of its dependence on foreign trade but also an important component part of the global chain of production for its attraction of direct foreign investment by multinational companies. However, this export-oriented strategy for economic growth which was led by the attraction of direct foreign investment underwent two economic crises in the decade from 1997-1998 to 2007-2008. One was the Asian financial crisis (1997-1998) which started in Thailand and then spread rapidly to the whole region of East Asia. A lesson the Asian financial crisis taught related Asian countries and economic entities was that they should not be too dependent on foreign capital. The other was the global financial crisis which began in the United States in 2007 and spread to Asia and gave Asian countries and related entities a new lesson that they should not be too dependent on imports.³⁴

The reduction of dependence on foreign trade and capital means that China must change its mode of economic growth. In fact, in its Twelfth Five-year Plan, the Chinese government already demonstrated a full understanding of this point. The question of whether China can accomplish the transformation of its mode of economic growth can be split into the following three factors: the change of the structure of production market at home, the improvement of the domestic capital market and the expansion of domestic consumer market.

In the first place, as for the change of the structure of production market at home, China's sustained economic growth is faced with the following three challenges: the first one is shift from labor-intensive and resource-wasting industries to capital and technology-intensive industries. The second point is the question of how to create a more suitable system and environment for the further development of small and medium enterprises and enhance the competitive edge of Chinese enterprises in the global chain of production while raising the productivity of large state-owned

32 United Nations Conference on Trade and Development, *World Investment Report: Towards a New Generation of Investment Policies*, Beijing: Economy & Management Publishing House, 2012, p. 4 and p. 47 (联合国贸易和发展组织:《世界投资报告:迈向新一贷投资政策》,北京:经济管理出版社2012年版,第4页、第47页)。

33 The World Bank & Development Research Center of the State Council of the People's Republic of China, *China 2030: Building a Modern, Harmonious and Creative High-Income Society*, 2012 International Bank for Reconstruction and Development / International Development Association or the World Bank, p. 9.

34 WangZ hengyi, *An Introduction to International Political Economics*, p. 485 (王正毅:《国际政治经济学通论》,第485页)。

enterprises. The third challenge is increasing the proportion of the service sector in the production market, cracking down on monopolies and removing the barriers against the service sector so as to empower China to become not only the centre of global manufacture but also the centre of the global service industry. In second place, in terms of the capital market, the major challenge to China is mainly reflected in the following two aspects. The first is how to accomplish the transition from a government-led capital market to a law-governed capital market. The second is how to establish a multi-tiered market system and a diverse product structure and raise the proportion of the capital market in GDP (in 2005, the proportion of private equity funds in GDP was 17%, much lower than the 60% of that in other emerging market countries; the proportion of corporation securities in GDP was only 1%, also much lower than the 50% of that in other emerging market countries).³⁵ In the last place, as far as its domestic consumer market is concerned, the greatest challenge to China is how to raise household share in national income (according to statistics, the share of income in GDP dropped from 53% in 1998 to 40% in 2007).³⁶

3.3 The Third Challenge: Transfer of Technology and Technological Innovation

Numerous research findings indicate that over 80% of research and development activities are carried out in developed countries.³⁷ The knowledge flowing out of wealthy countries is still the major channel through which developing countries obtain new knowledge. A country acquires knowledge from foreign countries mainly through four avenues: purchase of capital products, upgrading industries by means of export, purchase of technology and direct foreign investment.³⁸

In the process of China's development in the past thirty-odd years, the rapid increase of foreign trade and the inflow of vast amounts of direct foreign investment have not only promoted China's sustained economic growth but also sped up technology transfer and the upgrade of local industries. The ways that China acquires technology transfer can roughly be divided into the following three types: the first type is direct purchase of production lines and technology. This type of technology transfer was most prominently embodied by the household appliance industry (color televisions, refrigerators and washing machines) in the 1980s and consumer electronic products. The second type is the acquisition of technology transfer through long-term "origin entrusted manufacture." In 1979, four special economic zones were established and in 1984, 14 coastal cities opened up. The "origin entrusted manufacture" in their export processing zones gave a direct impetus to China's foreign trade and benefited China tremendously in technology, covering textile, household appliance products, electronic consumer

35 Diana Farrel and Susan Lund, "Putting China's Capital to Work," *Far Eastern Economic Review*, Mckinsey& Company, 2006.

36 "Asia's sinking economies: where the crisis is hitting hardest," *The Economist*, January 31st 2009, p. 9.

37 UNCTAD, *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D*, United Nations, 2005, p. 105.

38 Indermit Gill, Homi Kharas, *An East Asian Renaissance: Ideas for Economic Growth*, translated by Huang Zhiqiang and Yu Jiang, Beijing: Citic Press, 2008, p. 128 ([美] 印德尔米特·吉尔、霍米·卡拉斯:《东亚复兴:关于经济增长的观点》, 黄志强、余江译, 北京: 中信出版社 2008 年版, 第 128 页)。

products, and communication apparatus. The third type is “vertical technology transfer” made by transnational corporations. Through attracting the direct investment of multinational corporations which provide training and technological support and cooperatively solve problems in design and production, China has become an important base of manufacture in the production networks of transnational corporations abroad. This type of technology transfer is most prominently reflected by the development in China’s car³⁹ and information⁴⁰ industries since the 1990s.

Relying on cheap labor at home and because of the acquisition of technology transfer through foreign trade and transnational corporations’ direct investment, China’s economy has achieved sustained growth in the past thirty years, enabling the country to take the place of Japan as the world’s second largest economy in 2010 and become an upper-middle income country (with GDP per capita US\$4,227).

Numerous studies show that it is a thorny problem for many developing countries to maintain sustained economic development and avoid falling into “the middle income trap.” According to statistics, in the 1960-70s, 101 countries became “middle income countries,” but by 2008, only 13 countries and economic entities were fortunate enough to join the ranks of high income countries.⁴¹ Like other middle income countries, China must stand up to two challenges if it manages to be a high income country. One is adjusting the structure of its domestic industries, improving market incentive mechanism, making a shift from the mainly labor-intensive manufacturing industry to the technology-intensive industry, and breaking away from the “provider-oriented industrial upgrade” as a result of the dependence on foreign trade and the attraction of investment. The other is increasing the investment in science and technology and encouraging technological innovation. Though the proportion of China’s expenditure on research and development in GDP is on the rise year by year (from 0.8% in 1992 to 1.2% in 2002), compared with that of developed countries and the emerging economic entities (for example, 2.9% and 2.6% in 1992, and 3.1% and 2.6% in 2002 for the United States and Japan respectively; 1.9% and 1.2% in 1992, and 2.5% and 2.2% in 2002 for Korea and Singapore respectively).⁴² There is a wide gap between China and the above-mentioned countries in science and technology investment and technological innovation.

3.4 The Fourth Challenge: Participation in the Building of International Institutions and Adjustment of Domestic Systems

The fourth driving force for the persistence of the world system is strengthening the cooperation between countries through the creation of international institutions in an effort to avoid conflicts and even wars as a result of competitions between countries.

39 EricH arwit, *China’s Automobile Industry: Policies, Problems and Prospects*, M. E. Sharpe, 1995.

40 ReedH undt, *The Crisis of American Entrepreneurship*, New Haven CT: Yale University Press, 2006.

41 The World Bank & Development Research Center of the State Council of the People’s Republic of China, *China 2030: Building a Modern, Harmonious, and Creative High-Income Society*, 2012, p. 12.

42 Dermit Gill, Homi Kharas, *An East Asian Renaissance: Ideas for Economic Growth*, p. 144, Table 3.4 ([美] 印德尔米特·吉尔、霍米·卡拉斯:《东亚复兴:关于经济增长的观点》,第144页表3.4).

Since its reform and opening-up in 1978 and with its constant integration into the world system, China takes national interest into first consideration instead of ideology in the past and has become an active participant and builder of international institutions or organizations rather than an opponent of international institutions. In 1971, China was restored to its legal seat in the United Nations and began to take an active part in the activities of all the specialized committees in the UN in a comprehensive way. In 1980, it was reinstated to its legal seat in the International Monetary Fund and World Bank. In 1986, it filed an application to the Secretariat of the General Agreement on Tariffs and Trade for the reinstatement of its seat as a contracting party, at long last becoming a member country of the World Trade Organization. In 1992, it approved the United Nations Framework Convention on Climate Change and then in 1997 ratified the legally binding Kyoto Protocol. In 2008, it attended the Group-20 Summit. According to statistics, by 2007, of 61,836 international organizations on the globe China joined 4,386 of which 1,753 are organizations with binding agreements.⁴³ China's active participation in international institutions and organizations created a favorable international environment in the past three decades for China to reach its national strategic targets and promoted the reform and innovation of its domestic systems, thus laying a solid system foundation for China's sustained economic growth and social advancement.⁴⁴

However, with China's constant integration into the world system and its economic rise, the international community hopes that China will play a more active role in global governance and undertake corresponding international responsibilities for global economic, social, ecological and broader security affairs. Currently, these responsibilities mainly include the following four subjects: balancing world structure of demand, promoting international trade and investment, addressing climate change and reforming the mechanism for exchange rates.⁴⁵ Although China has been making efforts to live up to the requirements of the international community through the adjustment of its domestic institutions, the problems with its sustained development cannot be solved solely through its participation in international institutions, such as the upgrade of industries and technologies, the adjustment of economic structures, the balance of regional development and the improvement of the capital market at home. Therefore, the challenge to China is how much responsibility it will shoulder for the international community while giving priority to its sustained economic growth and development.

43 Zhu Liqun et al., *China and the International System: Process and Practice*, Beijing: World Affairs Press, 2012, p. 1 (朱立群等:《中国与国际体系:进程与实践》,北京:世界知识出版社2012年版,第1页)。

44 Wang Zhengyi, "Understanding China in Transformation: National Strategic Target, System Adjustment and International forces," *World Economy and Politics*, No. 6 (2005), (王正毅:《理解中国转型:国家战略目标、制度调整与国际力量》,载《世界经济与政治》,2005年第6期)。

45 Edwin Lim, Michael Spence, *Medium and Long-term Development and Transformation of the Chinese Economy: An International Perspective*, Beijing: Citic Press, 2011, p. 99 (林重庚、迈克尔·斯宾塞编著:《中国经济中长期发展和转型:国际视角的思考和建议》,北京:中信出版社2011年版,第99页)。

4. Conclusion

National space for existence, trade and finance, the advancement of science and technology and international institution are the fundamental driving forces for the persistence of the world system for 500 years and also the root causes of cooperation, competition and even conflict between countries in this world system. The four driving forces not only determined the structure of the world system (core and peripheral areas) but also had and are still having an impact on the rise and fall of individual countries (weak or strong) in the world system. As a new participant in this world system and a late starter in development, China has scored achievements of world interest but that does not mean that it is bound to enter the core area of the world system and become a powerful country in this area. There may be many ways that China can become a great power in the core area of the world system but the most effective method is constant adjustment and redesign of its domestic institutions to address the impact exerted on and the challenge posed to its related fields at home by the four driving forces of the world system.

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