Challenging Global Hegemony: the geopolitics of China’s financial expansion in the emerging world

Alfredo Hernandez Sanchez, Central European University, UNCTAD Summer School, 2018
“Dadme un prejuicio y moveré el mundo.”
— Gabriel García Márquez
What is the geopolitical logic behind China’s (financial) expansion in Eurasia?
“while the only exits Soviet fleets had for advancing to the Western Pacific were the three straits near Japan, China’s fleets have at least nine to eleven paths to the Western Pacific. Furthermore, China’s economic performance is superior to the Soviet Union”

→ The Wilson Center (2015)
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Concepts
Hegemony (dimensions)

➢ Asymmetrical interdependence (Straubhaar)
➢ Dominance and subordination (Hall)
➢ Ideology, culture, morality (Gramsci)

Elements

➢ “Hegemony requires that ideological assertions become self-evident cultural assumptions.” [...] 
➢ “It requires renewal and modification through the assertion and reassertion of power.”

-Lall (1995)
Hierarchy
- Principle of organization
- Objective (exogenous) rather than symbolic
- Measurable

International Structures
- Multipolar or Unipolar
Challenging (US) hegemony is different from attempting to change the **hierarchical nature** of the international system.
Classical Approaches to Geopolitics

➢ McKinder & Spykman
  ➢ The driver of history as land powers vs sea powers
  ➢ Pivot areas of political control
  ➢ Strategic importance of geographical barriers (mountains, lakes and rivers)
Source: Scholvin (2016: 14)
Contemporary Approaches

- Critical geopolitics: challenges and opportunities are understood in culturally specific ways, which in turn reflect existing and previous relations of power.
- Geographical challenges may be overcome through innovation and cooperation (constructivist understanding of int. pol.)
Source: Scholvin (2016: 23)
Caveats

➢ Geography is not destiny, structure is independent from agency
➢ General patterns and long-term trends, not short-term predictions
➢ Political institutions and technology mustn't be dismissed as intervening variables
Financial Hegemony

And its discontents...
Watering the hegemony tree

- A brief geopolitics of US (monetary) dominance:
  - World War II surpluses
  - The Marshall Plan
  - Harry Dexter White
  - The Nixon Shock
  - Sanctions
Money as a Symbol
BRICS, 14.30%

United States, 16.60%

European Union, 29.90%

Other, 39.20%

IMF (2016)
Contestation

A new Great Game?
China's Overseas Lending Surpasses World Bank's

China overtakes eurozone as world's biggest bank system

Status reflects global influence but also reliance on debt to fuel economy

China Passes Japan as Second-Largest Economy

In Davos, Xi makes case for Chinese leadership role

China's "Peaceful Rise" to Great-Power Status

By Zheng Bijian

China encircles the world with One Belt, One Road strategy

Beijing's $900bn of planned investments include ports and railways across Asia

China-led AIIB approves 13 new members, Canada joins

After US drops TPP, China joins member states in trade talks

China's yuan joins elite club of IMF reserve currencies
China’s trading partner status, by country, measured by total merchandise export and import volumes in 2015

Source: International Monetary Fund, OMFIF analysis.
The Belt and Road Initiative creates a global infrastructure network
China uses, acquires and builds railroads, ports and pipelines
Global expansion
Chinese PSCs are increasingly active internationally

Countries with known Chinese PSC activity
Silk Road Economic Belt
Maritime Silk Road

EVACUATION
Location: Samarra, Iraq
Date: late June 2014
PSC Involved: VSS Security
Customer: China Machinery Engineering Corporation (CMEC)
Incident: VSS team evacuated 1,000 Chinese workers fleeing from Iraqi government standoff with ISIS.

HOSTAGE RESCUE
Location: Al-Abbasiya village, South Kordofan State, Sudan
Date: late January 2012
PSC Involved: unknown
Customer: Chinese construction firm
Incident: A dozen armed Chinese security contractors helped the Sudanese Army to rescue 29 kidnapped Chinese workers.

SHOOTING AND EVACUATION
Location: Juba, South Sudan
Date: 8 July 2016
PSC Involved: Devie Security (北京德威保安服务有限公司)
Customer: China National Petroleum Corporation (CNPC)
Incident: Executed evacuation plan for 300+ CNPC workers and civilians caught in shooting standoff between local warring factions.
40% of the US military budget (adjusted PPP)
2% of GDP (US 5%)

Robertson (2015)
Conclusions

Risks and Opportunities
China’s challenge to US hegemony occurs at multiple levels and it reflects a **different strategic mindset** than that of the USSR.

Its encroachment on crucial geoeconomic links has been more **cost-effective**.

Still lacking the hard power to uphold its ambitions, it still relies on the political **goodwill** of its partners.
Thank you for your attention!

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