

**“IR, Area Studies and IPE: Rethinking the Study of  
China's International Relations”**

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## **IR, Area Studies and IPE: Rethinking the Study of China's International Relations**

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### **Abstract**

This paper attempts to provide a new framework of analysis for understanding China's international relations. It argues that "traditional" conceptions of international relations, based on "statist" and "realist" methodology, do not capture the dynamics of China's international relations in an era of globalisation. Rather, we need to consider the analytical tools of international political economy as a means of breaking down the analytical barriers between the domestic and the international, and between politics and economics. At the same time as enriching the study of China, such an approach can also enrich the discipline of international political economy, by breaking away from the OECD-centric nature of much research in the field.

Keywords: China, International Relations, International Political Economy, Area Studies.

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## **Introduction**

This paper is in some ways a paper of frustration – a frustration that emerges from the pitfalls that emerge in many of the dominant approaches to considering China’s political economy in an era of globalisation. At the risk of caricaturing a vast canon of literature, much of what is written on China – particularly from inside China – fail to address the analytical problems of separating the domestic from the international, and separating economics from politics. It is, in effect, methodologically overly-statist and realist.

This basic failing can be addressed by deploying the analytical tools of International Political Economy (IPE). Nevertheless, much of the wider work on IPE and globalisation also contains methodological problems. Too much of this work is informed by theories developed by examining advanced industrialised economies, or tries to find a once and for all overarching explanation of the relationship between states and markets, or takes the nation state as the basic unit of analysis (or in some cases, all three). While IPE studies of the implication of globalisation and the state have become more “pluralistic” in case studies<sup>1</sup>, and more nuanced in approach, many approaches still do not transfer efficaciously to the study of developing states.

Building on Payne’s analysis of the political economy of area studies<sup>2</sup>, the objective of this paper, then, is both quite straightforward and rather grand at the same time. My basic argument is that the study of IPE needs to become more sensitive to case studies from the developing world, with a recognition of the different characters of “the state” outside the advanced industrialised world. This can be achieved by enriching the theory with more case studies built on a detailed knowledge of the specifics of individual examples to provide a truly comparative basis for the development of theory. At the same time, the study of China

can be enhanced by deploying the analytical tools of IPE to consider China's political economy under conditions of globalisation.

Taking an eclectic mix of the work of those in a Coxian tradition, particularly the New Political Economy (NPE) approach associated with Payne and Gamble among others, and an understanding of class formation, we can provide a framework for analysing the increasing complexity of policy making – a framework which respects the inherent power of states, but also considers the power of non-state actors in the global political economy, and the way in which the global becomes embedded within domestic policy making. By marrying “area studies” and IPE, both can become more enhanced as analytical frameworks and provide a set of research questions and/or hypotheses to illuminate future studies of China's political economy.

### **International Relations Studies of China**

One of the main argument in this paper is that dominant approaches to studying Chinese international relations (IR) place too great an emphasis on the national state as the level of analysis, and is built on statist and realist notions of international relations. Before going any further, it is important to reiterate my comment in the introduction that I am not making a Kenichi Ohmaesque<sup>3</sup> argument that the state is irrelevant to the functioning of the international system – that the state is “dead”. It would be meaningless to consider China's IR without recognising the importance of formal diplomatic and government to government relations. It is also meaningless to deny the importance of the state as the key actor in China's IR, and even China's international economic relations. I will argue later that a key dynamic in China's IR is the relationship between local state actors, and international non-state actors. But that is not to deny that “high” politics at the national state level creates the conditions

within which this localised relationship takes place. Taiwanese businessmen may play an important role in shaping the evolution of places like Dongguan, but the national state organs still retain overall control of the relationship between Taiwan and the PRC. It is not one or the other, but how the two interact.

Nevertheless, I do suggest that on their own, statist and intergovernmental levels of analysis do not tell the full story. In particular, I argue that the focus on bilateral relations at the national level misses key determinants of China's IR, and the way in which external forces partially shape the evolution of China's political economy – particularly in light of China's WTO entry. First, I simply argue that the mainstream IR literature misses the salience of economic actors – particularly non-state economic actors. Second, I suggest that national levels of perception miss the uneven geographical and sectoral pattern of China's international economic relations and the political implications of this process<sup>4</sup>. It is true that many in China and outside have long recognised the importance of local authorities in forging China's international economic relations. However this is often considered as an issue in itself, or as an “economics” issue, or in terms of a set of “localised” relationships – for example, in the concept of an emerging “greater china” economic space.

The task, I suggest, is to consider the politics of these “economic” issues, and the extent to which they are embedded in wider regional and global processes, rather than simply being localised phenomena. In short, the task is to consider the linkages between domestic politics, domestic economics, international relations, and international economics. Processes of regionalisation generate both localised and internationalised networks of relationships that need to be considered alongside the bilateral to gain a full understanding of how best to theorise contemporary Chinese international relations.

There is now a **relatively** developed literature on the development of IR as a discipline within China, and the development of a Chinese IR theory. Outside China, the most well known are not surprisingly those written in English by scholars (many of whom have spent considerable time outside China) such as Gerald Chan<sup>5</sup>, Wang Feiling and Yong Deng<sup>6</sup>, Zhang Yongjin<sup>7</sup>, Jia Qingguo<sup>8</sup> and so on. There is also familiarity with the work of Chinese academics who increasingly participate in English language conferences and often write in English – in addition to those Fudan colleagues at this conference, this would include Wang Jisi, Wang Yizhou, Wang Liping, Peng Zhaochang, Yuan Ming, and Song Xinning among others. While Zhang Yongjin has noted an increasing interest in the English School as a methodological tool within Chinese IR<sup>9</sup>, I think that it is still fair to say that there are three main problems that obstruct the emergence of a Chinese IR that can deal effectively and in a nuanced manner, with IR under conditions of globalisation.

The first is an over concentration on relations with the United States, and the “conditioning” element that this places on Chinese IR. It is clearly the case that the US is objectively more important for China than, for example, the European Union, or individual European states for Chinese policy makers and researchers. That being said, it is instructive that in Wang and Yong’s “In the Eyes of the Dragon”<sup>10</sup> there is no chapter at all on Europe (including Russia) – and not only are Europe and European states absent from the contents list, but also absent from the index. The single reference to any European state is three lines on the UK handover of Hong Kong.

While this Americancentricism is understandable through a policy lens, there is another dimension to be considered here. Through the provision of scholarships and grants, a period of study in the United States is still the most probable and attractive option for Chinese IR

scholars wishing to study in the west – through which the dominance of US perspectives in international relations<sup>11</sup> is partially transmitted to the emerging IR community in China.

This brings me to a second point. Much of the IR literature in China remains concerned with issues of sovereignty and statehood and is built on realist and statist methods. For Song Xinning, this is a function of three domestic constraints:

“The overarching constraint [on IR theory in China] is a structural one, being the social setting in which the study of IR in China takes place.”<sup>12</sup>

For Song, the main domestic constraints are the dominance of policy related research, the residual ideology, and the importance of the state itself in Chinese discourses.

In addition, Song argues that “The divides which separate disciplines and institutions are still very deep in China”<sup>13</sup>. This separation, has obstructed the emergence of an IPE which considers the importance of non-state actors and economics in general in the study of IR. Whilst there is an IPE discipline in China – as this conference amply shows – it is dominated by a type of IPE which again is heavily influenced by US academia. On one level, Zhu Wenli’s paper in *Contemporary China* on IPE in China reveals a focus on an IPE which is heavily statist, and largely defined in response to US IPE theories as analytical tools – particularly hegemonic stability theory<sup>14</sup>. As she argues:

“The emergence of global issues is portrayed as the expansion of the diplomatic arena.”<sup>15</sup>

The issues that now face governments may be increasingly transnational in character, but the solution is still seen as being found in intergovernmental dialogue and processes. Under this approach, economic affairs often ignored as being “economics” or more often subsumed as a subject that can be dealt with by state-to-state relations.

On another level, Song and Chan argue that there is a strong concept in China that equates IPE with:

“The approaches used by Western scholars in IPE studies, such as rational choice, game theory, mathematical and statistical methods”<sup>16</sup>

Again, this reflects the over-dependence on the US as a source of ideas – even if those ideas are being rejected - in the Chinese IR and IPE discipline(s). As we shall see in the debate over areas studies below, many within the US are also concerned about the dominance of rational choice approaches as a methodological “science” for studying international relations. And a conception of IPE as a framework of analysis that moves beyond the dominance of US approaches can help provide methodological tools that really can take us a step further in theory building.

At the very least, it is fair to say that non-statist critical IPE has yet to make a significant impact on Chinese international relations studies. Little focus is placed on whose interests within individual countries are being served by these economic initiatives. Nor is much attention placed on the role of non-state actors – for example, the role of those that Strange terms the “international business civilisation”<sup>17</sup> or Cox would describe as the “transnational managerial class”<sup>18</sup> that “play an major role in almost all levels of the regional policy-making process”<sup>19</sup>.

The above is not intended to “rubbish” Chinese academia – far from it. Very similar comments could be made about the majority of western observations of IR in general, and Chinese IR in particular. Wæver has shown, for example, how publications in the mainstream IR journals in general are dominated by rational choice and realist approaches (and also by authors based in the US)<sup>20</sup>. Nor is China the only country where the link between academia and policy making can create methodological myopia. Indeed, at times it is difficult to know



whether some scholars are writing about US policy towards China, or trying to write that policy itself. It is also the case that much of the US literature on China's IR also ignores, for example, Europe. In a rather neat comparison with Wang and Deng, neither does Johnston and Ross's edited collection on "Engaging China" have a single chapter on Europe<sup>21</sup>. Finally, divisions between disciplines are also strong outside China<sup>22</sup>. There is, for example, a considerable literature that discusses China's international economic relations – but the division between economics, IR, and political and economic geography remain largely entrenched.

I suggest, then, that IR specialists in China and without need to look further than just the US for the theoretical models used to analyse Chinese IR. And if this is the case for IR theorists, it also holds true in different ways for those who would consider themselves to be in the "area studies" camp as well.

### **Area Studies versus Economics and Rational Choice Theories**

The debate over the relationship between area studies and discipline has been raging in the US for over half a decade now. A key impulse for this debate was the decision to fill the chair in Japanese politics a Stanford vacated by the retiring Chalmers Johnson with a specialist in rational choice theory, largely considered by insiders in the Asian studies community to have little to no background in Japanese studies. Broadly speaking, the complaints from the area studies disciplines revolve around the notion that economics, and its bastard offspring, rational choice theory, have become hegemonic in academic discourses. According to Johnson<sup>23</sup>, rational choice theorists are attempting to promote their agenda by discriminating against "unscientific" area studies.

The dominance of rational choice theory in much of US political science does create significant problems for the study of politics and international relations. So too do

interpretations of policy based on pure economic theory. Take, as just one example, this section from a World Bank report on the potential impact of the WTO on Chinese agriculture:

“Over the longer term, increased liberalization in China will accelerate the shift of agriculture away from areas of comparative disadvantage towards its comparative advantage. There is likely to be a more pronounced decline in the production of land-intensive sectors, such as livestock, fruit, flowers and vegetables. Liberalization of global agricultural barriers should augment this trend as it provides China with increased access to other countries’ markets in return for its one-sided concessions”<sup>24</sup>

The economic theory might be sound. But let’s assume for a moment that people all do act as rational actors based on full knowledge. Even then, it is difficult to imagine the peasant trying to scratch a living out of the barren earth in Shaanxi having the knowledge, the wherewithal and investment, and indeed even the right type of land and climate to make such a change. Geography, topology, and nature can be frustrating obstacles to the transference of economic theory into practice.

It is not my intention here to embark on a detailed account of the relationship between politics and economics in IPE – that was a task undertaken in Richard Higgott’s paper at this conference<sup>25</sup>. Suffice to say that within the IFIs, economic approaches have come to dominate much research, and also to have a disproportionate influence on policy making methodology. But while it is right to be sceptical of the efficacy of rational choice and economic theory as explanatory tools and methods, it is important not to fall back into a defence of area studies that denies the relevance and utility of all theoretical approaches. Area studies as an academic programme in the United States in the post War era owed much to the conditions of the Cold War. In perhaps the classic interpretation of the evolution of Area Studies in Cold War USA, Bruce Cumings notes:

“For a generation after World War II the bipolar conflict between Moscow and Washington and the hegemonic position of the United States in the world economy drew academic boundaries that had the virtue of clarity: ‘area studies’ and ‘international studies’, backed with enormous public and private resources, had clear reference to places or to issues and processes that became important to study. The places were usually countries, but not just any countries: Japan got favored placement as a success story of development, and China got obsessive attention as a pathological example of abortive development. The key processes were things like modernization, or what was for many years called ‘political development’ toward the explicit or implicit goal of liberal democracy.”<sup>26</sup>

At the very least, the need to understand what was going on in the “closed” environments of communist party states inspired many of the university degrees and scholarships to study language and culture. Building on McGeorge Bundy<sup>27</sup>, Cumings notes the close relationship between many US academics and the US Office of Strategic Studies, and how the US area studies community found much of its funding<sup>28</sup>. In Europe, too, Cold War politics played a part in shaping academic interest, courses and programmes. For example, the special foreign office funding for the School of Oriental and African Studies at the University of London, whilst initially inspired by the needs of serving the British Empire, was at least invigorated by the needs of the foreign policy community to train specialists to understand places like China.

In some respects, then, the area studies discipline, particularly but not only related to the study of China, needs to come to terms with the changing geo-strategic environment within which it functions. The Cold War context that Cumings argued drew the lines of demarcation between area studies and international relations has gone. To use a Maoist concept

(incorrectly), the primary contradiction is no longer a geo-strategic one based on security, but a geo-economic one based on increased economic interdependence (albeit an asymmetric interdependence) through greater trade and investment flows. And this means that the boundaries between the domestic and the international become ever more blurred, requiring an analysis of how the two interact:

“The separation between the global and the local no longer holds, as the new hierarchies of the global economy cut across regional and national boundaries”<sup>29</sup>

This in turn requires an understanding of the dynamics of the external environment, actors and processes.

In the case of “Chinese studies”, the end of the geo-strategic context of study has coincided with the end of a period of relative autarky. Until perhaps as late as Deng Xiaoping’s *nan xun* in 1992, Chinese politics could be studied almost entirely in terms of domestic dynamics. And while I would contend that such “domesticism” was no longer efficacious for much of the 1990s, China’s post-WTO political economy clearly cannot be considered without a recognition of the role of external factors.

The debate over the validity and future of area studies versus discipline should not just be conducted within the narrow confines of US academia, and in the specific context of a revolt against hegemonic approaches in the shape of economics and rational choice theory. As Kasaba argues<sup>30</sup>, area studies requires a “revitalizing” impact by combining the study of individual cultures and areas with wider disciplinary understanding – not rational choice “science”, but other disciplines that help us best understand the local-global context of the contemporary world. Kasaba’s main interest is in postmodernist approaches – and while this

is not my own interest here, I share his basic tenet that the aim is not to replace old disciplinary barriers between “area studies” and “international relations” with new barriers:

“In order not to use this as yet another way of creating divisions, we should start from the premise that the modern era is generative its own comprehensive world view that encompasses all places and groups who are in interaction with each other”<sup>31</sup>

So if we move away from an internecine battle within US academia, we can find ways in which area and discipline come together to enhance each other. This is done by recognising that there are a set of internationalised factors that face most, if not all states – factors that can fall under the broad heading of “globalisation”. But also by recognising that these globalising factors will play out in different ways in different states because of the embedded domestic contexts of each individual state<sup>32</sup>. We need the discipline to understand the former, and the area studies to understand the latter.

### **Studying IPE in an era of globalization**

I have suggested that dominant approaches to understanding contemporary Chinese IR have a number of pitfalls for researchers. However, I am not suggesting that IPE has all the answers. On the contrary, a starting point for this paper is that IPE itself can become enhanced by taking on a more comparative nature that is aware of the contexts of individual states – and in particular, states from non-core areas of the global political economy.

From Kenichi Ohmae<sup>33</sup> at one extreme to Hirst and Thompson<sup>34</sup> at the other, there is a vast literature attempting to understand what globalisation really means (or in the case of Hirst and Thompson, to ask if it is even happening at all). As of March 2002, a grand total of 1,500

books listed on the Amazon web page with globalisation or globalization in the title. As Taylor puts it:

“To say that “globalisation” is the new mantra of our contemporary era is to be at once both banal and profound. Few other words has been so used and abused in recent times, or have generated so much printed word and comment. Yet, for all the rhetoric surrounding globalisation, its meaning remains both vague and elusive and symbolises a host of different things to different people.”<sup>35</sup>

In a similar vein, Hurrell notes that:

“Although rarely tied to any very clearly articulated *theory*, it has become a very powerful *metaphor* for the sense that a number of universal processes are at work generating increased interconnection and interdependence between states and between societies.”<sup>36</sup> [original emphasis]

There is simply not space here to trawl through all the different IPE interpretations of globalisation<sup>37</sup>, and clearly any comment about the nature of globalisation, and IPE studies of it, runs the risk of making massive generalisations. However, just as there are methodological pitfalls in using dominant approaches to understand China’s IR in an era of globalisation, so too there are potential methodological pitfalls in the IPE literature. At the risk of oversimplification, these can be described as universalism, the OECD-centric nature of much IPE research, the emphasis on the nation state as the unit of analysis, and teleological pitfalls.

### *Universalism*

The first pitfall is one that emerges from trying to make definitive statements that contain universal truths. Trying to find a once and for all answer to, for example, which has power, states or markets, is essentially misguided. The real quest should be twofold. The first is to

discover differential levels of power in the international political economy – an approach which fits well with conceptions in the Chinese literature regarding the uneven nature of power in a unipolar globalised world. Quite simply, there are clear divergence in different state's ability to dictate, respond or react to globalising forces. This study, then, shares an understanding with those scholars who perceive globalisation as an uneven process<sup>38</sup>. For proponents of this view, rather than globalisation leading to harmonisation and convergence:

“Existing inequalities make it more likely that globalization will lead to an increasingly sharp division between 'core' states, who share in the values and benefits of a global world economy and polity, and 'marginalised' states”<sup>39</sup>

The second is to embrace divergence and, deploying the insights of area studies, consider how the relationship between states and power, between structure and agency, is determined within individual settings. IPE should not only allow diversity, but indeed emphasize the fact that there is no single answer; no single set of relationships; no single simple understanding. The researcher should consider, particularly through comparative approaches, how different sets of relationships emerge with different balances of power between actors in different and specific historical, geographical, social and political contexts. As Tim Shaw has argued:

“any local to global social relationship inevitably includes a trio of heterogeneous actors ... To be sure the balance among this trio varies between regions and issue-areas & over time but none of them can be excluded or overlooked in any ongoing relationship”<sup>40</sup>

This is an approach that does not lead to simplicity. Nor does it lend itself to snappy book titles or defining characteristics that ensure good results on citation indexes. But as Hettne and Söderbaum<sup>41</sup> argue, the world is complex, and saying this is much better than truncating reality to the fit methodological or ideological predilection.

*IPE as a study of developed states*

The search for universal truths is helped when the universe is contracted. Tony Payne has argued that the theories of hegemony were largely constructed around observations of the US experience, moderated by some comparisons with Europe. What we end up with is a concept constructed from a narrow set of cases. More to the point, a concept that because it is so case (or a few cases) specific might not have relevance outside that setting. The same argument can be made for many of the approaches within IPE<sup>42</sup>. Once we move outside the setting of the case studies (either explicit or more inferential) that have been used to construct theory, then the applicability of theory becomes more questionable.

One of the major research questions for IPE scholars is to consider the relationship between the state and the market. Indeed, there are around 100 published books in English alone where the main focus is to discuss the relationship in one way or another<sup>43</sup>. But much of this literature is based on understandings that are predicated on an understanding of the role of the state in the contemporary world that is based on the experience of advanced industrialised democracies. Such a separation of state and market that underpins much IPE analysis in the West does not always hold true outside the context of the west itself.

Van Woferen, for example, has long argued that analysts from the “west” fail to understand Japan because they start with false assumptions. The concept of a separation between “public” and “private” that lies at the heart of some investigations of political economy is, according to van Woferen, absent in Japan. For Deans, this is a consequence both of “both the traditional understanding of ‘economy’ in East Asia and the way in which market economies were established there”<sup>44</sup>. Indeed, in some respects, following Polanyi<sup>45</sup> it is not so much Japanese capitalism that is “different” as European capitalism, and of course, the USA. It was the “great transformation” of industrialisation in Europe in the nineteenth



century that marks the “singular departure” from the dominant norm by creating the institutional separation of society into an economic and political sphere.

In essence, the argument here is that the nature of the Japanese state and Japanese capitalism is different. It might have an industrial structure that looks a bit like a western one, but the nature of the state and the nature of Japanese capitalism is not the same as the nature of the US state and US capitalism, or European states and European capitalisms. Capitalism in Japan developed in a different way from in the west due to “pre-industrial legacies, patterns of industrialization, and twentieth-century state structures and policies”<sup>46</sup>. Indeed, even within the west, there is no single model of capitalism, and no single model of “the state”. A study of comparative capitalisms, then, is an essential component of recognising divergence.

There are effectively two problems here. The first is the aforementioned dominance of studies of advanced industrialised economies. Even in some of the best works on comparative capitalisms, the emphasis remains on advanced industrialised economies. Coates<sup>47</sup>, for example, concentrates on a comparison between the US, Sweden, Germany and the UK, while Crouch and Streeck<sup>48</sup> similarly consider Italy, Sweden, the UK, France, the US and Japan. A similar tripartite analysis of Europe-the US-Japan is also evident in Berger and Dore<sup>49</sup>. While these works serve a very useful purpose in exposing the varieties of capitalism within advanced industrialised societies, the lack of analyses of less developed economies is marked.

Similarly, with a brief exception for analyses of the Asian financial crises, discussions of developing states are in a minority in the major IPE journals. Here, though, we should note a difference between US journals and those in Europe – particularly the UK, and particularly in *New Political Economy*<sup>50</sup>. It is notable that among the editors of *New Political Economy* there

is a strong “developing area” expertise. It is also the case that in inception, *New Political Economy* emphasises not a single theoretical approach, but a framework or “toolkit”<sup>51</sup> which embraces non-exclusionary pluralistic approaches:

“The methodology of the new political economy rejects the old dichotomy between agency and structure, and states and markets, which fragmented classical political economy into separate disciplines. It seeks instead to build on those approaches in social sciences which have tried to develop an integrated analysis.”<sup>52</sup>

There may be good reasons for this relative under-representation, particularly in the US. One explanation could simply be that there are not enough people writing on developing areas using IPE perspectives. Another explanation is found in the good work on IPE that appears in development oriented journals and in “area studies” journals. Indeed, the logic of career enhancement often leads towards publishing in a relatively narrow set of journals conceived as the appropriate outlet by the peer community.

The second problem emerges from the potential of concept stretching. If Van Wolferen is right, and western paradigms are used to try and understand things that look similar in Japan, then problem becomes magnified when we move on to look at states like China. When China was “different” – when it was a state planned economy – then it was relatively easy to analyse. We knew that it was different and treated it as such (though sometimes falsely putting it in a box with other “different” states – assuming that socialist economies were all the same for example). As China has reformed and moved away from socialism, we have perhaps found it increasingly difficult to box. Dealing with the bits that are still different remains relatively easy. The problem is the problem of the familiar.

As just one example here, there is a widespread understanding of how stock markets work and why they exist in the west. And as china now has stock markets, it is tempting to assume that they serve the same functions in China and work in the same way as they do in London, Frankfurt or New York. But as China “area study” specialists know, not only do Chinese stock markets serve different purposes and interests, but the stock exchanges in Shanghai and Shenzhen each have different characteristics. The embedded power of the state in the emerging Chinese market economy means that we have to be very careful in deploying modes of analysis devised from case studies in very different parts of the world.

*The nation state as the unit of analysis*

As with much of the economics and IR literature, there is still a tendency in IPE to consider the nation state as the unit of analysis. Even studies of globalisation normally consider how this impacts on states, rather than disaggregating the state as a unit of analysis. On a very simple level, we need to remember perhaps the first question of politics – who gets what ? So we should not ask if, for example, will China benefit from joining the WTO? But instead ask who will benefit and who will not. As China specialists know, reform has had a highly differential impact on Chinese society. The gap between the urban and the rural is just one example, to which we could add the benefits accruing to the existing elites versus the benefits accruing to the workers<sup>53</sup>, and many others.

And of course, the Chinese case also reveals massive regional differentials – while some parts of China have become embedded within internationalised networks of production and are highly integrated into the global economy, other parts of the country are at best, only marginally participating. This is not to say that they are unaffected by globalisation, but to suggest that they are not internationally “integrated”. This is often explained by making a bipolar division between coastal and interior China. This approach is helpful in establishing

the differential nature of the internationalisation of China – but only partially so. There are, for example, many TVEs in the interior which have benefited greatly from internationalisation, and have significantly contributed to the growth of Chinese exports. As such, while geographically based concepts of divergence are clearly important, they do not tell the whole story of the differential impact of globalisation on China.

This recognition of the differential impact within nation states is manifest in only a few theoretical pieces considering the political economy of regional integration relatively small body of IR literature dealing with globalisation and integration<sup>54</sup>. There are a number of good case studies discussing the significance of sub-national and cross-national regional integration in various parts of the world. Nevertheless, work on microregionalism, and the way that globalisation can lead to a disjuncture between the national political and emerging transnational economic spaces remains an understudied phenomenon<sup>55</sup>.

### **Teleology and Politics: What Drives Globalisation?**

The final potential pitfall is the danger of falling into teleological explanations. To be fair, teleological explanations do not have much salience in IPE discourses in the west any more. However, in discussing globalisation in China, I have often come across the view that globalisation is an economic phenomena, and not a political one. This view is based on a separation of economics and politics that is also evident in wider interpretations of globalisation. In its extreme form this can lead to understandings that take globalisation as a given factor, or something that is divorced from politics.

In proposing an IPE framework for considering China's IR in an era of globalisation, it is essential to start from an understanding that globalisation does not just happen. It is a phenomenon which is driven by a combination of technological advances, and changing

patterns of production, which places a significant element of “power” in the decisions of non-state economic actors. It is also driven by the policy preferences and dominant ideas within the major international financial institutions. But it is also the result of the actions and policies of governments, based on an acceptance that neoliberal economic policies are the best way of generating growth. In this respect, globalization also entails an ideological dimension. In combination, as Bernard and Ravenhill argue in relation to the political economy of East Asia:

“We have argued that the emerging political economy of East Asia should be understood in terms of the relationship between changes in the global political economy, changes in the political economy of individual states, and changes in the organization of production.”<sup>56</sup>

One of the key driving forces for globalization, then, has been technological changes which have facilitated changing modes of production. For Oman, a:

“principle macroeconomic force shaping those dynamics and driving ‘globalization’ .... is the ongoing development, formidable competitive strength, and spread .... of post-Taylorist “flexible” approaches to the organization of production within and between firms’.<sup>57</sup>

While there has always been world trade, the structure of that trade has changed. Rather than raw materials flowing to production sites, and finished goods flowing to markets, the production of a single commodity can now take place at a number of different stages in a number of different states.

“capitalism today...entails the detailed disaggregation of stages of production and consumption across national boundaries, under the organizational structure of densely networked firms or enterprises’.<sup>58</sup>

As such the investment-trade nexus has become increasingly significant, as investments move to the most profitable location for specific parts of the production cycle.

So building on the work of Cox<sup>59</sup>, “new political economy” approach associated with Andrew Gamble, Tony Payne and others<sup>60</sup> argues that the international economy of the Bretton Woods era characterised by exchange relations between national economies has been replaced by a global economy grounded in production and finance:

“the formative aspect of the new global political economy is seen to be the structural power of internationally mobile capital. States now have to recognise the power not only of other states and international organisations ... but also of international capital, the banks, and foreign exchange markets.”<sup>61</sup>

It is a system where non-state actors play a significant role in shaping financial and commodity flows, but one in which states and state actors do much to facilitate the globalisation.

In some respects, we have to take one step back and consider the political dimensions that lie behind the growing power of non-state actors in the global political economy. As the German Bundestag report on globalization forcefully argued:

“The growing worldwide integration of economies came not by any law of nature – it has been the result of active and deliberate policies’.”<sup>62</sup>

First, we need to consider how non-state actors came to have such power in the first place. For example, while Susan Strange asserts that transnational corporations (TNCs) are key actors in the promotion of globalised production:

“this has not happened entirely by accident. The shift from state authority to market authority has been in large part the result of state policies. It was not

that the TNCs stole or purloined power from the government of states. It was handed to them on a plate - and, moreover, for 'reasons of state'."<sup>63</sup>

Strange goes on to argue that even the US government could not contain the forces that it unleashed, and that even the world's most powerful government finds its actions constrained by the actions of TNCs. But nevertheless, this should not obscure the fact that the original liberalization of the economic structure was based on political choice and decisions.

It might help here to distinguish between globalism as a statist project, and globalisation as a process. Globalism is a project which has been pursued with vigor by the successive US administrations, supported by the neo-liberal agendas of other governments in the advanced capitalist world. It sought to spread specific political, economic, security and social forms of interaction and understanding on a global spatial scale. It is symbolized in particular by Reaganite-Thatcherite efforts to spread the market economy, and promote neo-liberal economic strategies through both its own actions, and via the policies of the major international financial institutions. Globalization, in contrast, is a process of growing interconnectedness in these different dimensions driven where non-state actors utilise the economic and legal structures that have been established by political elites - for example, by business enterprises which develop a global strategy in order to maintain international competitiveness and ensure continued profitability. In short, globalism as a political project creates the environment in which globalization can proceed.

This analysis effectively concentrates on what we might call the initiators of globalization. But we also need to consider the political dynamic of globalization in developing states. In the 1960s and 1970s, much of the literature on developing states concentrated on the attempts to ensure that developing states did not become locked in a system of dependency on the core states. There is also a considerable literature on the way in which international financial

institutions forced neoliberal agendas on developing countries through conditionalities on aid packages. But in the current era, the dynamic is very different. As Bowles argues:

“By 1991 the purpose ..... was no longer premised on the need to be more independent of the global economy but rather seen as a measure to ensure continued participation in it. The fear of developing countries was no longer one of dependence on the global economy but rather was seen as a measure to ensure continued participation in it.”<sup>64</sup>

If globalization is the new dependency theory, then it is in large parts a domestically self-imposed dependency –dependency as the best way of achieving growth.

There are two key issues to consider here. The first is the “ideological” or “ideational” change. In short, key elites in much of the developing world have altered their policy preferences and accepted the neo-liberal project as the best method of achieving growth. The second issue relates to specific policy changes designed to facilitate globalization. While the internet and telecommunications facilities increase the speed of communication, goods still have to be transported around the world on ships, trucks and trains. And in order to do this, you need the necessary “hard” infrastructure, more often provided through state investment rather than through private sector funding:

“Transport and communications are “massively state-subsidised, and the overhead costs of transport and communication (e.g. policing, rules and regulations) are met not by the users but by the general public”<sup>65</sup>

Furthermore, policies conducive to the international economy do not just occur on their own. The Special Economic Zones are not “natural economic territories”, as Scalapino<sup>66</sup> has defined emerging cross border micro-regions – they were established through political fiat, and supported by other state policies on taxation, distribution and so on. And perhaps most



importantly of all for the future, the decision to join the WTO, and to accept all the disciplining elements of neo-liberalism that will follow, was a political choice.

In summary, this internal process of change has been promoted by what Leslie Sklair terms “globalising state bureaucrats”<sup>67</sup>, who might also be considered as constituting a party-state comprador class. This group, epitomised by the policies of Zhu Rongji, is engaged in a process of making the investment regime within China more and more liberalised and “attractive” to international capital, and reforming the domestic economic structure to reduce domestic protectionism, and institute a more neoliberal economic paradigm. In combination, these processes can best be understood by using a framework of analysis established by Robert Cox:

“There is something that could be called a nascent historic bloc consisting of the most powerful corporate economic forces, their allies in government, and the variety of networks that evolve policy guidelines and propagate the ideology of globalisation. States now by and large play the role of agencies of the global political economy, with the task of adjusting national economic policies and practices to the perceived exigencies of global economic liberalism. This structure of power is sustained from outside the state through a global policy consensus and the influence of global finance over state policy, and from inside the state from those social forces that benefit from globalisation (the segment of society that is integrated into the world economy)...Neo-liberalism is hegemonic ideologically and in terms of policy.”<sup>68</sup>

## **Towards a Framework of Analysis**

### *Studying Chinese IR*

In terms of the study of China's international relations, this framework suggests moving away from bilateral and statist interpretations of IR. In particular, it suggests an increased attention on the interaction between Chinese state elites at various levels, and external non-state actors. There is a lot of good research being undertaken on the way in which parts of China are integrating with the global economy, with a particular and entirely proper emphasis on China's coastal provinces. This work which emphasises the partial national nature of integration into the global economy, and points to issues related to the integration of the national economy as a whole makes an important contribution to theoretical understandings regarding the impact of globalisation on nation states. However, there are two areas in which this work needs strengthening.

The first is in the way that these analyses fit into overall analyses of China's IR. While some may reject this on the grounds that the relationships under investigation are purely economic, this denies the linkages between politics and economics outlined above. The role and importance of local governments is also important on the Japanese side. Glenn Hook, for example, has written extensively on the role of local governments in Japan in forging economic links with Japan's neighbours<sup>69</sup>. Indeed, the local-local nexus is already an important component in Sino-Japanese economic relations. Witness, for example, the links between the sister cities of Kita Kyushu and Dalian. These links are not just built on local government dialogue. The local state is the key facilitator, but contacts are also dependent on local bureaux of MITI, local governments, Japanese representative offices in China, individual companies, the relationship between different companies in the supply chain<sup>70</sup>, providers of transportation, and even the role of Chinese students who have returned to China

after being educated in Japan<sup>71</sup>. In this case, the role of the local state acting to further the interests of non-state economic actors (primarily on the Japanese side) is particularly notable.

Second, it is important not to focus too closely on specific localised manifestations such as relationships. There is, for example, now a considerable literature on the emergence of this thing called “Greater China”. Some of this literature (good examples include Naughton<sup>72</sup> and Hamilton<sup>73</sup>) has, at its heart, an understanding of the complexities of the relationship. Going beyond a simple bilateral level of analysis, they consider the wider regional and global processes involved. But many others do not. They are instead over-concerned with, for example, showing how China is trying to ensnare Taiwan through economic relations. Even some of those analyses that recognise that the political borders of China are not the parameters of economic activity, they then often replace a politically defined boundary of economic activity with another one – even if this new one is the conflation of a number of different political boundaries. An understanding of a “Greater China” economic space is constructed which does as much to underplay the significance of Japan and the United States in the construction of capitalist processes within which localised forms of relationships exist. A concept designed to illuminate the transnational nature of economic relations can, without care, obscure more than it reveals.

We need to move beyond this national basis of analysis, even when the national basis of analysis itself moves beyond bilateralism. We should think of how the particular and the localised fit with wider regional/international modes of analysis. It is entirely correct to focus on the way in which localised relationships between local Chinese officials and Hong Kong and/or Taiwanese businessmen is helping shape China’s re-engagement with the global economy. But these local sets of relationships do not exist in isolation. Regional and global

modes of production are **primarily** transmitted or linked into China through more localised relationships. Indeed, overseas Chinese networks often deliberately exploit cultural links in locating themselves in China. But these localised relationships are themselves predicated on the wider structure of a regional and global economy. The overall structure may be a regional one, or indeed even a global one. But the mechanism through which China is integrated can be a local one, or indeed, through a number of different local processes. Thus, I follow Smart's understanding that:

“many capitalist practices are embedded in local structures, and that certain contexts can generate new and vibrant variations upon the theme of capitalism. If nothing else, globalization produces a considerably diverse set of local outcomes.”<sup>74</sup>

The structure of regional capitalism, then, goes much deeper than bilateral levels of analysis can hope to explain. Nor can these implications be found in the type of statist and intergovernmentalist approaches to understanding East Asian regionalism that dominates in Chinese IR (and indeed in non-Chinese IR). Rather, we need to deploy modes of analysis that think in terms of production networks and/or class alliances that cut across politically drawn boundaries<sup>75</sup>.

In particular, for those of us from a politics tradition, we should not forget basic and fundamental questions. Who gets what? Whose interests are served? If these questions are asked, then we can start to see more clearly how, alongside bilateral processes, Sino-Japanese relations or Sino-Taiwanese relationships are embedded in a wider network of relationships – even if these relationships are manifest in localised networks of overseas Chinese businessmen and mainland party-state-entrepreneurs. This understanding, then, does not posit

the local against the regional or the regional against the global as loci of analysis. Rather, it suggests that assessing the relationship between the local the regional (and multiple forms of region) and the global remains a fruitful avenue for research in the future.

### *Studying Chinese Politics*

One of the basic tenets of the NPE approach is that the distinction between the domestic and the international needs to be broken down. As such, deploying IPE approaches not only has efficacy for studying IR, but also for the study of domestic Chinese politics. Even before China's entry into the WTO, this assertion held true. But in the coming years as, for example, China's legal structure continues the ongoing process of becoming WTO compliant, the significance of the global for the domestic in China will become increasingly apparent. It will remain entirely correct to consider the actions of Chinese elites from an understanding of the specific social, economic, historical and cultural context of China. But any such analyses will also have to consider the context of globalization, and the way that the market or neoliberalism has a disciplining impact on domestic polities.

Following from this, we need to internationalise the study of factional formation and political alliances in China. I content that the decision to join the WTO in 1999 cannot be considered without a recognition of an alliance between reformers in Beijing, and those in the US and elsewhere that wanted to promote a type of reform in China that conforms with international norms and the interests of the "international community". This idea is perhaps best summed up by an official White House statement of March 2000

“China's accession agreement will deepen and help to lock in market reforms -- and empower those in China's leadership who want their country to move further and faster toward economic freedom. In opening China's telecommunications market, including to Internet and satellite services, the

agreement will expose the Chinese people to information, ideas, and debate from around the world. And China's accession to the WTO will help strengthen the rule of law in China and increase the likelihood that it will play by global rules”<sup>76</sup>

Nor is it just an American approach, as the EU's trade commissioner, Pascal Lamy's speech in Beijing in October 2000 illustrates:

“It can only lock in and deepen market reforms, empowering those in the leadership who support further and faster moves towards economic freedom”.<sup>77</sup>

The boundaries between economics and politics as academic disciplines also need to be broken down. I suggest that the chief constraint on economic restructuring – particularly within the financial system – is political will, and the biggest challenge to political stability lies in how the leadership handles economic restructuring<sup>78</sup>. Add this to the national-international linkages noted above, and we arrive at a situation which is almost the basic defining characteristic of IPE as a field of enquiry. Returning again to the WTO issue, the delays in reaching a final agreement after the November 1999 agreement between China and the USTRO can largely be explained by considering how domestic political demands in each negotiating partner were played out in an international forum.

It is perhaps worth reiterating that I am not denying that the state is still important. What I am suggesting is that an understanding of the dynamics of power within China needs to be modified. This modification should accept that sovereignty, in the economic sphere at least, is “perforated”<sup>79</sup> and that external actors now do have an influence over the functioning of the Chinese political economy. As suggested in the introduction, globalization has increased the number of actors in policy making, and, I suggest, increased the power of external actors.

It should also recognise that, in Sassen's words, the global becomes embedded within the national. She argues that the effects of economic globalization often "materialize in national territories"<sup>80</sup> and that:

"the strategic spaces where global processes are embedded are often national; the mechanisms through which new legal forms, necessary for globalization, are implemented are often part of national state institutions"<sup>81</sup>

Following Sassen, then, we need to investigate the impact of globalization on the institutional balance of power within China's governmental structures – as suggested in the introduction, to argue that globalization leads to a renegotiation of relationships between state actors. Sassen's main emphasis was on the shifting balance of power between different ministries and agencies within government – the financial agencies may gain power and influence while others may lose. In the specific case of the WTO, we can suggest that the state organs in charge of reforming the legal structure in WTO conforming manners within the National People's Congress will play an increasingly important role in shaping the bases of China's domestic political economy. While separating the state from the party is still an inherently difficult task in China, WTO membership should further strengthen the role of state organs, particularly legal institutions of the NPC, vis-à-vis those of the party. In this respect, fundamental political reform in China is inspired, or perhaps more correctly, facilitated, by an international economic agreement.

What this suggests, then, is that the search for political change in China should not be constrained by views that equate political change with democratisation, or those that conceive that economic reform inevitably leads to democratisation<sup>82</sup>. Ironically, while such approaches were designed to explain the link between economic and political change, equating political change with political liberalisation can actually contribute to the depoliticisation of analyses of economic change – no liberalisation is equated with no political reform. Abandoning state

planning and ownership in favour of market forces and private modes of ownership are clearly not apolitical. But searching for democratisation and liberalisation (at this stage of China's transition from socialism at least) does not allow us to understand the nature of this political change. Rather, we should be assessing the reformulation of political alliances and strategies – alliances within China's political elites, between political elites and new economic elites, between elites and societal groups, and between domestic and transnational actors.

Class is important. I noted above the efficacy of using notions of trans-national class alliances to understand the political implications of economic change. But there is also a domestic dynamic to this change. A recent report from the department of sociology at CASS has outlined how the Chinese social structure can now be divided into ten broad groups, each of which can be subdivided into smaller sub groups<sup>83</sup>. Notably, the report uses the definition of *jieceng* or social level, rather than class (*jieji*), but the basic understanding that economic reform has led to a reformulation of the bases of Chinese society would not be out of place in a class based analysis.

This changes has been occurring long before China's WTO entry. There has, for example, been a relatively large body of work considering the rise of new business elites in China<sup>84</sup>. There is also a smaller body of work that considers the exploitation of Chinese workers (often by party-state managerial classes in collaboration with external capitalists)<sup>85</sup> and the creation of an "underclass" through what Solinger terms the "informalisation" of the Chinese urban economy<sup>86</sup>.

But one of the implications of WTO entry could be to accelerate those changes. For example, even under rosy assumptions like those produced by the Beijing Bureau of the World Bank,



those industries and sectors that stand to lose most, even under rosy assumptions, are those where the hand of the state – or the hand of the old style of state control – still dominates<sup>87</sup>. Those that stand to gain most – in particularly clothing and textiles – are sectors where the new quasi-private sector and foreign ownership dominate. For example, attempts to calculate the impact of WTO entry on China’s share of world markets suggest that Chinese exports of clothing will rise from 19.5 per cent of world exports in 1995 to 42.2 per cent in 2005<sup>88</sup>. The new opportunities in the service industry will likewise favour those who are not under old-style state control. To call it a quasi-privatisation of the Chinese economy is perhaps pushing it too far – not least because current party-state officials (the party-state bourgeoisie) are key actors in the new non-state economy. But WTO membership will further facilitate the ownership basis of the Chinese economy and the class basis of CCP rule that has been ongoing since 1994.

So while IPE as a discipline is largely concerned with the relationship between state and non-state actors, in the Chinese case, the emphasis should be on how these relationships are emerging. In particular, although the way in which a new bourgeois class (or classes) emerge from within the existing party state elites – and the way that they utilise their political position to enhance their economic position – has been the subject of some good studies<sup>89</sup>, it is an issue that warrants further attention.

Finally, we need to consider ideology and ideational change. If “neo-liberalism is hegemonic ideologically and in terms of policy”<sup>90</sup> as Cox suggests, then we need to consider the mechanisms by which it becomes hegemonic. This is partly a result of the use of blunt instruments of power by the core states to enforce change on developing countries. For example, in developing his concept of “disciplinary neoliberalism”, Stephen Gill argued that:

“the US government is using access to its vast market as a lever of power,

linked to a reshaping of the international business climate, by subjecting other nations to the disciplines of the new constitutionalism, whilst largely refusing to submit to them itself.”<sup>91</sup>

Although published almost seven years before China joined the WTO, this understanding could have all but been designed to understand the process.

But there are also many much less blunt ways in which ideas are transferred from one setting to another. Through educational exchanges, the provision of training programmes to allow Chinese officials to become “WTO compliant”, the rise of the internet, and increased access to the outside world, and so on, Chinese academics, government researchers and policy makers. Business people too are developing new concepts and practices through processes of “social learning” and “industrial learning”. Chinese government policy is increasingly being shaped by the actions of pro-market “policy entrepreneurs”, and also by epistemic communities that are often transnational in nature<sup>92</sup>. And just as the Japanese authorities deliberately cultivated people who thought would become the next generation of Chinese leaders in the declining years of the Qing dynasty, so we should consider the various “aid” and “training” packages offered to Chinese officials in the light of WTO entry to have a clear, if not always explicit, political context.

## **Conclusions**

In a special edition of *New Political Economy* in November 2000, Higgott and I called for:

“the need for regional-based groups/communities of scholars to talk more within a disciplinary framework in order to provide a basis for dialogue and comparison”<sup>93</sup>

This desire to imbue area studies with more discipline, whilst accepting that more analyses of non-core states can enhance the discipline itself, was also at the core of Payne’s important

paper on the political economy of area studies and IPE<sup>94</sup>. The aim of this paper, then, is to make a contribution to an understanding of how the area specialists and the disciplinary specialists can come together to improve the study of each.

It starts from an understanding that the way that China “receives” or “responds” to globalization is very much embedded in the specific historical, political and cultural contexts that have influenced the emergence of the contemporary Chinese political economy. But it is no longer possible to simply consider this Chinese political economy by only considering the internal dynamics of change. Through conscious political decision, elements of the Chinese leadership have chosen to integrate China – or at least, parts of China – into the global political economy. In the process, they have allowed Chinese sovereignty, in the economic sphere at least, to become “perforated”, and increased the number of actors in the policy sphere. As Stange so forcefully put it in response to Krasner in the *Review of Political Economy*, “Wake up .... The world *has* changed”<sup>95</sup>. We need the country knowledge **and** the disciplinary knowledge to truly understand the dynamics at work.

Good political economy should, almost in conception, be comparative political economy. In developing an IPE framework for the study of contemporary China, we can also contribute to the evolution of a discipline that looks away from the core heartlands of both the global political economy and the heartlands of IPE academia. As such, the future of both area studies and IPE can perhaps best be enriched by each acknowledging the merits of each other, and facilitating a more comprehensive literature on the political economy of developing states.

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82 For example, see David Potter, David Goldblatt, Margaret Kiloh, and Paul Lewis (eds) (1997) *Democratization* (Oxford: Polity Press).

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91 Stephen Gill (1995) 'Globalisation, Market Civilisation, and Disciplinary Neoliberalism' in *Millennium* 24 (3) p:415.

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93 Breslin and Higgott (2000) op cit p: 343.

94 Payne (1998) op cit pp: 253-273.

95 Susan Strange (1994) 'Wake up Krasner! The world has changed' in *RIPE* 1 (2) pp: 209-219.