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Studying China in an Era of Globalisation

Studying China's political economy in the pre reform era was not an easy task. With the plethora of information that is now available from China, it is worth remembering how difficult it was to get data and reliable information out of China for many years after 1949. The sort of information that is available on one visit to the web page of the Institute of World Economics and Politics at the Chinese Academy of Social Sciences (www.iwep.org.cn) would have taken most scholars years to collect. Access to the Tsinghua collection of Chinese academic journals through Eastview (www.eastview.com) – both used in preparing this manuscript – gives more articles on any given subject than you can cope with. Conducting the sort of interviews that are now relatively common with Chinese officials, scholars and business people was impossible. And if Chinese officials or scholars visited the West, it was unlikely that they would engage in free and frank discussion, engage with western ideas and methods, or provide candid observations on the domestic situation in China. As Morgan (2004: 77) notes:

Twenty-five years ago the China specialist was of necessity a generalist. Since then, mastering the slow dribble of information that can be gleaned from a closed society, has been replaced by the management of a deluge of policies, facts, and figures. Simply keeping pace in one's own small area of expertise has become an onerous task.

We should not fool ourselves that nowadays we know everything that is going on and really understand China – but our chances of making educated guesses that get somewhere close to reality have been vastly improved.

In some ways, however, studying the dynamics of change in the Chinese political economy was more simplistic in that it was all but possible to think entirely in domestic terms. To be sure, China was never a purely totalitarian state where central leaders spoke and everybody else just fell in line, and considerable time and effort was spent trying to find the real locus of power, with particular emphasis on elite factionalism, the role of the military, and the power of provincial leaders. And of course, China's leaders always had relations with the superpowers in mind when defining domestic development strategies. But you could all but ignore the global and focus purely on the dynamics of domestic politics.

With China's re-engagement with the global economy in the post-Mao era, and particularly after Deng Xiaoping's southern inspection tour – the *nanxun* – in 1992, such a domestic focus can no longer be efficacious. This is not to say that the domestic context is unimportant – far from it. Domestic considerations must remain crucial for any understanding of the contemporary political economy. It is just that on their own, domestic issues do not let us truly understand the many dynamics at play. Trying to get to grips with the domestic context of reform is hard enough in itself, but the rather daunting reality for students of contemporary China is that it is now essential to also get to grips with the dynamics and workings of the global political economy as well.

Building on Payne's (1998) analysis of the political economy of area studies, the objective of this book is both quite straightforward and rather grand at the same time. It is an attempt to enrich the study of Chinese politics and international relations by deploying the analytical tools of International Political Economy (IPE), to consider the dynamics and implications of China's re-engagement with the global economy. It is also an attempt to enrich the study of IPE by providing a detailed case study to provide a resource for the development of a more comparative basis of theory.

In terms of enriching the study of Chinese IR, in attempting to categorise dominant approaches to considering China's IR in an era of globalisation, we face the risk of caricaturing a vast canon of literature. Nevertheless, and accepting this risk, much of what is written about Chinese IR – particularly from inside China – is methodologically overly-statist and realist. In particular, I suggest that it fails to address the analytical problems of separating the domestic from the international, and separating economics from politics. There are of course exceptions, but by and large, the IR discipline has not widely embraced basic tenets of IPE as a methodological starting point.

In terms of theory building, whilst advancing the efficacy of IPE in general as an analytical tool, many of the theories and approaches that form the basis of IPE have been derived from comparisons of the political economy of advanced industrial Organisation for Economic Co-operation and Development (OECD) states. In particular, there is a dominant conception of a separation between public and private (or state and market) that does not always hold true when we move the focus of attention away from the core heartlands of both the global political economy and the heartlands of mainstream academia. The discipline needs to become more sensitive to case studies from the developing world, with a recognition of the different characters of 'the state' and the nature of capitalism outside the advanced industrialised world.

International political economy and new political economy

There are many different understanding of what the terms 'Political Economy' and IPE are as fields of inquiry. This is partly a disciplinary issue, with most economists who label themselves as 'political economists' using economic models to study 'political' phenomenon – for example, voting power in international institutions. But even within the broad church of political science and international relations, there are wide epistemological and operational differences between different schools of IPE. For example, one of the reasons that 'western IPE' in China is often equated with 'rational choice, game theory, mathematical and statistical methods' (Song Xinning and Chan 2000: 29) is the dominance of such research in major academic journals (Wæver 1998, Marsh and Savigny 2004). At perhaps the other extreme of the spectrum, there also remains a strong neo-realist IPE.

In searching for an analytical framework to explain the nature and significance of China's position in the global political economy, this study is concerned with establishing the relationship between structure and agency without insisting on an ontological separation of the two (Wood 1981). It also aims to avoid the basic pitfall of creating analytical divisions between the international and the domestic, and between economics and politics. It has been particularly influenced by what can be termed the 'New Political Economy' as reflected by the editorial stance of the editors of the journal of the same name in their first edition in 1995. Gamble *et al* (1996: 5–6) reject the adoption of a single theoretical approach, and instead promotes a frame-

work or 'toolkit' 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.

For many scholars, the pathway to a framework for understanding contemporary IPE began with a study of classical political economy. But it is also possible to arrive at a similar position by taking other pathways – by rejecting purely economic interpretations that ignore power and politics; by rejecting the apolitical and ahistorical tendencies within rational choice theory; and by rejecting the parsimonious explanatory power of statist and realist international relations. For all that divides the numerous critical IPE scholars, this rejectionism is more or less implicitly shared by all. And in this respect, there is resonance for those 'area studies' scholars who are frustrated by the shortcomings of hegemonic discourses in the study of contemporary China. These frustrations relate to the dominance, and failings, of realist approaches to studying Chinese international relations (particularly, but not only, within China itself) and the ongoing battle between 'area studies' and 'discipline' in parts of the US academe.

Studying Chinese IR in China

Although Wang Yiwei (2004) has correctly argued that there is not a single distinctive Chinese International Relations Theory, a number of observers have attempted to draw out the dominant ontologies and epistemologies that re-occur in many of the writings on International Relations within China (Chan 1999, Geeraerts and Men Jing 2001, Song Xinning and Chan 2000, Song Xinning 2001). To varying degrees, they all argue that realism dominates the discipline. As we shall see below, realist approaches are becoming less 'hegemonic' in Chinese international relations thinking, with new approaches, definitions and issues entering the discipline relatively rapidly. Nevertheless, it is still fair to say that there are three key reasons why realist ontologies previously dominated the Chinese international relations discipline – and notwithstanding an increasing pluralism, remain the most commonly used theoretical approach. 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 Yong Deng's and Wang Fei-ling's (1999) 'In the Eyes of the Dragon' which outlines Chinese visions of the global order, there is no chapter at all on Europe (including Russia).¹

Second, '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' (Song Xinning 2001: 71). It is difficult to overstate the importance of policy-relevance in academic research, and the extent to which prevalent political concerns in government shape the concerns of most IR academics. At the very least, the socialising element of appointment and promotion procedures lead scholars toward retaining a strong policy relevance element in all their research. This helps explain both the heavy emphasis on the US in Chinese IR, and the heavy emphasis on statist and realist interpretations, and the overarching interest in state sovereignty.

Third, Song also argues that China's residual ideology impacts on the evolution of Chinese IR. Much of the work in China on IR (until recently at least) was informed by a Cold War framework of power politics. During the Cold War, scholars emphasised the 'strategic triangle' – China's ability to manoeuvre in a political/diplomatic space between Moscow and Washington. With the end of the Cold War, the unipolar world system has removed many of the certainties of the old order and we face the geometric problem of triangles that only have two points. The collapse of the Soviet Union means that the US is now free to impose its hegemony over the international system in general, and China in particular – a hegemony which is deployed to prevent China's development.

This understanding is not simply confined to military conceptions of hegemony. The 'new American hegemony' (Zhou Pailin 2002) includes a wide range of features. On one level, there is the danger of broadly defined 'cultural hegemony' (Liu Weisheng 2002). 'Culture' here refers to the spread of a set of political values and norms – most notably in terms of human rights and democratisation – deployed by the US as a tool of state power to contain China (Wang Jincun 1999). Yang Yunhua (1999) argues that this form of hegemony represents a new type of warfare. This warfare partly has a military dimension, in terms of bringing other countries under the US security umbrella, and providing military capabilities to allies. But importantly, international

economic relations are also seen as being part of the US state's hegemonic strategy. Through bilateral pressures such as restricting access to the US market, and through US power in international financial institutions, US power and hegemony can be imposed on the world and developing states in particular without the use of brute military power.

We should note here that this conception of US as the global hegemon is not simply limited to academic and policy circles. Popular perceptions of the US in China can be contradictory. On one level, there is an aspirational element – many young urban Chinese like the trappings of American culture, and the US remains the number one choice if people can emigrate or be educated abroad. But at the same time, there is deep popular hostility to the US which is seen as trying to enforce unfair change on China in an attempt to block China's economic development, and to prevent China from attaining its 'rightful' place as a world power.

This anti-Americanism has been most vocally aired when the US has militarily come into contact with China – once with the bombing of the Chinese embassy in Belgrade, and again when a US spy plane collided with a PLA Air Force plane over Hainan.² But this hostility, or at least suspicion, lies not too far below the surface during less turbulent times. There is considerable popular support for nationalist and even xenophobic stances to the extent that the CCP often finds it difficult to keep the lid on the nationalism that the leadership itself often espouses (Hughes 2006). In the mid to late 1990s, this was manifested in the publication of a number of best selling works that portrayed the US as mistakenly attempting to impose its inferior norms and values on China, and calling for China to resist the global hegemon.³ These sentiments have also been echoed in at least some of the writings of 'New Left'.⁴ The importance of the New Left for this study primarily lies in their critique of neoliberalism and their concern with the negative consequences of economic reform. However, in critiquing neoliberalism, these authors do not ignore the fact that neoliberal theory originated outside China, and for some, it is an instrument of US foreign policy designed only to benefit US interests (Fewsmith 2005: 2).⁵ For Lu Di (2002), transnational media corporations are part of a cultural invasion enforcing foreign values on China in the same way that the British enforced change on China through the opium wars.⁶ And at times of more direct conflict with the US – for example, the aforementioned embassy bombing and spy plane incident – then the US has become a more direct subject of New Left criticisms.

New directions in Chinese IR thinking

It would be wrong to say that all Chinese IR utilises blunt realist methodologies. Zhang Yongjin (2000), for example, has correctly identified an increasing interest in the English School as a methodological tool within Chinese IR. Indeed, there have been important changes in the study of IR in China in the new millennium. IR is still a young academic discipline in China with its origins in the re-establishment of university education in the 1970s in the wake of the Cultural Revolution. Even after the death of Mao and the move towards reform under Deng, academic freedom was still very much constrained by the realities of the political system and the need to reinforce the superiority of the Chinese socialist way. So when the study of Western IR thinking emerged in China, it was simply a descriptive exercise – ‘this is what Western IR is’ – rather than establishing new approaches and theories for Chinese academics to use in their own research. This situation has changed for four key reasons.

First, Chinese IR emerged from isolation to engagement with IR communities across the world. Almost all Chinese IR researchers have now spent a considerable time working overseas, and many of them have received their doctorates from overseas universities.⁷ Whilst there is a considerable diaspora of Chinese scholars who have studied overseas and remained overseas, there is a cohort of scholars who have returned to academic jobs in China bringing with them new ideas and approaches. Conversely, many foreign scholars – and importantly, not just China scholars – have visited China to teach on IR programmes, to help in curriculum development, and to establish joint research projects with Chinese colleagues.

Second, policy has changed, and at least some of the new directions in Chinese international relations writing have followed these policy shifts. For example, China’s active participation in or with regional organisations – most notably with the Association of Southeast Asian Nations (ASEAN) and in the Shanghai Cooperation Organisation – has resulted in new research foci on both the theory and process of regional cooperation, and also on the regional cases. In particular, Harris (2001) argues there has been a key change in conceptions of security, with the 1998 White Paper on Defence marking a key turning point by redefining and placing a much greater emphasis on the need for ‘economic security’.

Whilst these changes suggest a change in the focus of research rather than a change in theory and approach, it is related to the fourth explanation. The East Asian financial crisis of 1997 brought home the blunt

reality that China's economic fortunes were inextricably linked with what happens elsewhere (Fewsmith 1999, Zha Daojiong 1999, Wang Zhengyi 2004). For a set of Chinese thinkers, realist conceptions of IR were found wanting in understanding the impact of globalisation, forcing a rethink of the relationship between political and economic dynamics, and the relationship between the domestic and the international (Fang Li 2000). Perhaps the most cited of authors in this tradition is Wang Yizhou (1995, 1998, 2000, 2003),⁸ who argues that studies of globalisation must break down the bamboo fences (*fanli*) between the study of domestic and international politics (Wang Yizhou 2003).

Fourth, the political environment has changed, with academics now allowed much more freedom than before. This freedom is far from complete, and there remain limits to what academics can say and write – advocating the full scale adoption of western political forms and the removal of the CCPs monopoly on power are clearly still taboo. New found freedoms have also sometimes been withdrawn. For example, in the autumn of 2005 academics (and others) were placed under closer official scrutiny and were asked to rethink some of their ideas. The relationship between the Hu Jintao-Wen Jiabao leadership and intellectuals has been a mixed one. On the one hand, they have encouraged academics to share their thinking with policy makers through special seminars and workshops. They have at the very least tolerated an introspective re-evaluation of the basis of Chinese international relations theory/theories (Wang Jun 2004).⁹ Whilst these evaluations are careful to defend the basics of Chinese IR thinking, there has been a call for increased distance between theory building and policy – for theorists to move beyond perceptions of the 'national interest' and 'narrow nationalism' (*xia ai de minzhu zhuyi*) that is at the heart of much Chinese international relations scholarship (Shi Bin 2004).

On the other hand, the moderate clampdown of 2005 shows a less liberal side of the leadership. This reversal has formed part of a wider critique over the logic of neoliberalism and the underlying philosophy of reform which has been ongoing in China for some time:

the journals *Dushu* and *Tianya*, along with some other journals, successively published various essays on theories of history and historical capitalism, which, from the angles of theory, history and practice, stringently attacked the market mystifications of neoliberalism. The theories of Karl Polyani and Braudel, as well as those of traditional Marxist political economy, provided important intellectual

resources, offering a critical historical horizon informed by political economy and the critique of economism (Wang Hui 2004: 49–50)

These writers are typically grouped together under the umbrella term of ‘the New Left’ – a label that is rejected by these critical authors who feel that it has been deliberately coined by opponents to suggest unjustly that they want to turn back to the leftism of the Maoist period.¹⁰ As will be discussed in more detail in Chapter 6, many of the concerns of new left scholars about the negative impact of liberalisation on China – inequality, rural poverty, unemployment and corruption – dovetailed with the expressed concerns of the Hu Jintao-Wen Jiabao leadership. Whilst not rejecting liberalisation *per se*, the Hu-Wen leadership were implicitly critical of the idea that growth alone would solve these problems without positive government interference to direct growth. And not simply coincidentally, ‘new left’ sentiments were subsequently reflected in a renewed emphasis on developmental objectives after 2004.

In terms of ideas and international relations in China, the run up to WTO entry in 2001 provided fertile ground for critics of neoliberalism. Wang Hui (2004: 52) argues that in fact most of the criticisms of WTO entry did not in fact critique the organisation nor the basic tenets of neoliberalism, but were instead about how fast to reform and when it would be in China’s best interests to join (and on what terms). However, some key ‘public intellectuals’ did challenge the entire underlying premise. For Han Deqiang (2000) the key is the relationship between domestic politics and the international economic strategy of central elites. Drawing on insights from classic political economy, Han argues that China needs a new political economy that rejects free market liberalism, and follows the strong state model of ‘the national system of political economy’ championed by Friederich List, and followed by industrial planners during German and Japanese industrialisation. While domestic issues dominate the agenda of these critical writers (as will be discussed in more detail in Chapter 6), in Han Deqiang at least, we see a conception of political economy that presages not so much the emergence of new ways of thinking of international relations, as a return to the basics of political economy.

A Chinese IPE?

Great power politics continues to dominate Chinese IR both in terms of academic research and policy. But new issues and approaches are increasingly the focus of attention. We have already noted a growing

concern with economic security, which has two important sub-streams in energy security and the potential benefits of regional economic cooperation. Conceptions of human security have also gained greater acceptance, notwithstanding the correlation between human security and democratisation for some non-Chinese proponents of the approach. Perhaps most clearly, constructivist approaches have had the biggest impact on changing the nature of Chinese IR thinking. Guo Shuyong (2004) has gone as far as to call for Marxist international relations to be reinvented by incorporating the 'best practice' of American international relations scholarship – realism, neo-institutionalism, and most importantly for Guo, constructivism. I suggest that Fudan University, Renmin University, the Institute of World Economics and Politics, and the Department of International Political Economy at Beijing University in particular have become major sites of theoretical innovation.¹¹

But even within these new approaches, there remains a strong focus on the nation state as the unit of analysis in international relations, with the state as the main actor. For Song, developing a Chinese IPE that reflects the importance of economics in international relations and the role of non-state actors is problematic as 'the divides which separate disciplines and institutions are still very deep in China' (Song Xinning 2001: 72). Zhu Wenli (2001) provides an insight into Chinese views of IPE which are particularly instructive here. First, she describes a Chinese IPE which is heavily statist, and largely inspired by non-rational choice US IPE – particularly hegemonic stability theory – for example, Tian Ye (2000). Second, and in a similarly statist vein, whilst accepting that global, rather than just bilateral, issues are now a key area for concern, 'The emergence of global issues is portrayed as the expansion of the diplomatic arena' (Zhu Wenli 2001: 48).

The issues that now face governments may be increasingly transnational in character, but the solution is still often seen as being found in intergovernmental dialogue and processes. Under this approach, economic affairs are often ignored as being a separate sphere of enquiry best left to economists to study, or more often an exercise in the promotion of national interests in a game of mercantilist competition – a subset of politics that can be dealt with by state-to-state diplomatic relations with little attention paid to the role of non-state actors. 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 various political and economic initiatives – the state

often remains disaggregated as a unitary actor. Nor is much attention placed on the role of non-state actors – those that Strange (1990) terms the ‘international business civilisation’ or Cox (1990) would describe as the ‘transnational managerial class’ – in international relations.

IR, area studies and comparative IPE

China is far from being the only country where the international relations discipline is dominated by a single approach. Realism looms large outside China too, though Wæver’s (1998) investigation of publications in the mainstream IR journals showed that rational choice approaches challenge realist ones as the hegemonic theoretical position (and also by authors based in the US). Nor is China the only country where the link between academia and policy making can create methodological myopia. Considerations of the implications of engagement with the global economy by researchers from the international financial institutions unsurprisingly but typically reflect the policy preferences of those organisations. And at least some of the writing on China in the US ‘suffers’ from the problem of being too closely related to policy issues.

It is still far from uncommon to come across analyses that talk in terms of China as a single unitary entity and actor. Nor is it particularly uncommon to find phrases such as ‘the Chinese believe’ or ‘the Chinese think’, implying that over 1.3 billion people have the same beliefs, attitudes and desires. This use of language largely derives from epistemologies that place the emphasis on the national state as the level of analysis, and is built on statist and realist notions of international relations.

It is important to point out that the alternative to these approaches is not a Kenichi Ohmaesque (1995) argument that the state is irrelevant to the functioning of the international system – that the state is ‘dead’. It would be foolish to begin a study of China by ignoring the still hugely significant role of the state in domestic politics and economics, and the importance of ‘high’ politics at the national state level in China’s international relations (both political and economic). We should not throw out the state as a unit of analysis, but disaggregate the state to consider whose interests are represented by state policy at the national level, and also consider the power of sub-state and non-state actors in the global political economy.

On their own, statist and intergovernmental levels of analysis do tell a story, just not the full story. In particular, the focus on bilateral rela-

tions 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 domestic political economy – particularly, but not only, in light of China's WTO entry. First, mainstream IR literature misses the salience of economic actors – particularly non-state economic actors. Second, national levels of perception miss the uneven geographical and sectoral pattern of China's international economic relations and the political implications of this process. It is true that many in China and outside have long recognised the importance of local authorities in forging China's international economic relations, and there is a considerable literature in this area. But this is not often represented in analyses of China's international relations, and where the local is considered, it is usually in a bilateral framework. Processes of globalisation 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, and to consider how local manifestations of globalisation are linked to wider transnational global capitalist processes.

Area studies and IR

The divergences between dominant IR approaches on one hand, and 'area studies' approaches on the other, are most clear when it comes to assessments of China's future. These different interpretations will be discussed in detail in Chapter 5. Here the intention is to explore the impact of different approaches on conceptions of China, and the perceived defects of 'theory' for some China scholars.

As noted at the start of the introduction, there is a strong and very influential set of literature – much of it specifically policy related – that points to China's impending superpower status, global dominance, and perhaps even inevitable conflict with the US. But while this vision of China seems to dominate popular perceptions, and has considerable purchase in some policy making arenas, there is a strong alternative understanding which sees China not as a global economic powerhouse, but instead in a position of dependency 'in the classical sense used by the Latin American economists in the 1950s' (Nolan 2003: 24), with a political system in crisis having reached the 'limits of developmental autocracy' (Pei 2002, 2006) and on the verge of an internal collapse (Chang 2002) that only a miracle can postpone (Naím 2003). Despite continued economic growth and the increased living standards of many Chinese, there is rural poverty exacerbated by harsh and often corrupt excising of taxes, endemic corruption in general, large and

growing levels of urban unemployment, an unprecedented level of ever growing inequality, mass migration from the countryside to the cities, staggering levels of debt within the financial system, and the rapid deterioration of the environment all point to a domestic political economy with massive problems to be overcome. China's social fabric is being severely stretched – a conception that is recognised within China itself – not least by China's top leaders.

These different interpretations of China are explained by the different focuses, epistemologies, and methodologies of observers, academics and policy analysts. They are also explained by the different objectives of researchers. One of Robert Cox's (1981: 128) most oft cited ideas is germane here – 'theory is always for some one, and for some purpose'. So for who, and for what purpose, is the understanding of China as an emerging global power constructed? First of all, we need to accept that the Chinese leadership has placed a heavy emphasis on growth as an indicator of success, and as a means of gaining legitimacy. In the past at least, Chinese authorities have not shied away from triumphing their success in generating growth and doubling, trebling and quadrupling GDP; in the early days of economic reform, the target of raising GDP by a factor of X was an often and loudly proclaimed objective of the Four Modernisations. It is true that this message has been tempered when it comes to the international level. The message from the Chinese leadership to the rest of the world is yes we are important and becoming ever more so – but please don't forget that we are still a relatively poor and developing country so don't place the obligations and expectations of a rich developed state on us. Witness, for example, the attempt to be classified as a developing country during the WTO entry negotiations, and the oft repeated argument that despite China's importance, US actors actually get far more out of US trade with China (which generates China's huge trade surplus) than the Chinese themselves. It is also true that the message for a domestic audience has changed with the transfer of power to the fourth generation of leadership in the guise of Hu Jintao and Wen Jiabao. Nevertheless, the Chinese authorities have at least contributed over the years to a perhaps exaggerated image of Chinese wealth and emerging power.

Images of China are also deliberately constructed to serve specific interests in terms of influencing policy towards China. An overly stark dichotomisation here would point to both those who want to engage and contain China using exactly the same evidence in an uncritical manner to strengthen the arguments for why China should be resisted or engaged. Both sides benefit from depicting China as more powerful,

important and either a danger or an opportunity than is really the case. It might also be the case that the focus on China's growth and 'success' is related to the desire to promote the primacy of liberalisation as not so much the best but as the only path to development. Some Vietnamese officials at least seem to have been taught the lesson that Chinese style liberalisation is the obvious way forward for the *doi moi* project.¹²

On reflection, there appears to be a dichotomy between those who study China from the inside out, and those who emphasise international relations, typically conceiving of the nation state as the basic unit of analysis, conceiving of the state as a unitary actor and largely accepting the ontological separation of the domestic from the international. An even bigger degree of separation exists between those who study China and those in policy related institutions and disciplines who study the implications of China in and for other countries, with those who study from the outside largely being the prophets of Chinese power.

Different interpretations are also partly a result of the growth strategy that China's leaders have pursued, particularly since the mid-1990s. With attracting investment to produce exports all but the sole engine of growth, China's international economic profile has obviously increased. But at the same time, the domestic economy hardly grew at all between 1996 and 2002. Double digit growth over two decades has been accompanied by ever increasing unemployment – even as the Chinese economy was growing at 12 per cent in the first quarter of 2004 leading to fears that the economy was overheating, unemployment in China was actually increasing (Yardley 2004).

So while students of the impact of China on other countries and the global economy in general see one picture, specialists on the internal domestic situation see a different one, and are drawn towards the very real social, economic and political problems that exist within China. The external international dimension is not ignored – far from it. It is considered in terms of its impact on the reconfiguration of the domestic political economy, the way in which discourses of international relations and nationalism are used as a tool of domestic legitimacy and social control, and the extent to which domestic political considerations constrain the actions of the Chinese leadership on the international arena. But the conception of a rich and powerful China that can be constructed and have a significant impact on policy makers across the world sits rather uneasily with analyses of serious, though not insurmountable domestic problems.

Area studies and rational choice

Despite the differences, recent debates over the relationship between area studies and discipline – particularly in the US – revolve around the notion that the economics discipline, and the economically inspired approaches of rational choice theory, have become hegemonic in academic discourses. According to Johnson (1997), rational choice theorists are attempting to promote their agenda by discriminating against ‘unscientific’ area studies.

It is not my intention here to embark on a detailed account of the relationship between politics and economics in IPE – that has been done by others (Higgott 2001, Hay and Marsh 1999). Suffice to say that within the International Financial Institutions, economic approaches have come to dominate much research, and also to have a disproportionate influence on policy making methodology. But if Johnson and others have a valid claim in resisting the hegemony of a specific theory and discipline, it is important not to fall back into a defence of area studies that denies the relevance and utility of *all* theories and disciplines.

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 (1997) 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.

At the very least, the need to understand what was going on in the ‘closed’ environments of communist party states inspired the creation of university degrees and scholarships to study language and culture. Building on McGeorge Bundy,¹³ 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. 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, both the area studies discipline and Chinese international relations need to come to terms with the changing geo-strategic environment within which they function. The Cold War context that Cumings argued drew the lines of demarcation between area studies and international relations has gone. As Zhang Xudong (2001: 4) argues:

We are experiencing an increasing and intensifying discrepancy between the perceived object called 'China' and the lingering epistemological models rooted in the Cold War, backed by the even more time-honored machinery of 'knowing the Other' of the long history of the global expansion of capitalism (colonialism, imperialism, etc.). As long as the old regime of knowledge and its reproduction holds sway, the emerging complexity and dynamism of Chinese economy, society, politics, culture, and everyday life will remain concealed, distorted, and oppressed in the global symbolic terrain.

The geo-strategic environment remains important, but so too now is the geo-economic environment based on increased economic interdependence (albeit an asymmetric interdependence) through greater trade and investment flows. This means that the boundaries between the domestic and the international become ever more blurred, requiring an understanding of both the dynamics of the external environment, actors and processes and a detailed country or area studies knowledge.

The debate over the validity and future of area studies versus discipline should not just be conducted within the narrow confines of a revolt against hegemonic approaches in the shape of economics and rational choice theory. As Kasaba (1998) argues, 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 generating its own comprehensive world view that encompasses all places and groups who are in interaction with each other (Kasaba 1998)

So if we move away from a focus on rational choice, 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 issues most, if not all states, face today – factors that can fall under the broad heading of 'globalisation'. At the same time, we need to recognise diversity, and start from an understanding that the embedded domestic contexts of each individual state will lead to divergence and different outcomes in different settings – to recognise the 'historicity of divergent development trajectories'.¹⁴ We need the discipline to understand the former, and the area studies to understand the latter.

The basic principles of new political economy outlined earlier in this chapter provides methodological and ontological tools that fit well with the specific knowledge of 'national conditions' of area studies specialists to provide an effective way of studying China in an era of globalisation. In addition, the knowledge that area studies specialists have of their case studies can help us develop a more holistic IPE that is truly comparative in nature, and more applicable to the study of development and developing nations than is currently often the case. By doing this, we can avoid some of the potential methodological pitfalls of dominant IPE approaches developed primarily from the study of advanced industrialised democracies where a separation of private and public economic spheres is often implicitly taken for granted.

Area studies and comparative IPE

Universalism and comparative capitalisms

The first potential 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 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 divergences in different states' abilities to dictate, respond or react to globalising forces. This study, then, shares an understanding with those scholars who perceive globalisation as an uneven process.¹⁵

IPE should not only allow diversity, but emphasise 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. This is an approach that does not lead to simplicity, but if the world is complex, then how useful are simple explanations? (Hettne and Söderbaum 2000)

The search for universal truths is helped when the universe is contracted. Tony Payne (1998) 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 specific (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. 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. But much of this literature is based on the experience of advanced industrialised democracies. Such a separation of state and market – or the public and the private – is much less clear in many parts of the world. For example, the concept of neo-patrimonialism has been deployed to explain the blurring of public and private in many contemporary African states¹⁶. While Weber's conception of traditional patrimonialism saw no distinction between public and private, in the new-patrimonial states, a formal distinction exists based on institutionalised state system underpinned by laws, rules and regulations. But despite the formal legal situation, this separation of public and private is not reflected in the action of political leaders who continue to utilise and dispense public resources as if they owned them themselves. This is in no small part because it is much harder to change practices and cultures than it is to

change laws – which has been particularly important in China in relation to local control over the financial system (see Chapter 2). As these political leaders are not only the utilisers of public resources, but also the regulators, there is weak state capacity to enforce control, usually accompanied by weak civil society to act as check and balance on power (Bratton and de Walle 1994, Tangri 1999).

Even in advanced industrial economies, the public-private distinction is not always clear. Van Wolferen (1990), for example, has long argued that analysts from the ‘west’ fail to understand Japan because they start with false assumptions. A formal separation of ‘public’ and ‘private’ exists in that the Japanese government does not own major companies. Nevertheless, Van Wolferen argues that in the eyes of the Japanese people, the government and the company officials themselves, they are ‘Japanese companies’ that are not considered to belong in a separate ‘private’ sphere from national public life. For Deans (1997: 17–43), as with the case of neo-patrimonialism in Africa, this is a consequence of embedded historical precedents relating to the way in which market economies were established in Asia. So although Japan has an industrial structure that looks a bit like a western one, the nature of the state and the nature of the state’s relationship with the market means that 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’ (Whitley 1999: 16).

A study of comparative capitalisms, then, is an essential component of recognising diversity, and there are a number of good studies that compare Japanese capitalism with other advanced industrialised economies in Europe and North America (Berger and Dore 1996, Crouch and Streeck 1997). There is a relatively large literature analysing the heavy state involvement in planning and guidance of the market, and overt state control over the financial sector in developing East Asian states.¹⁷ But when what have been termed Capitalist Developmental States (Johnson 1981, 1987, Deans 2000, Leftwich 1995) are studied in a comparative manner, they are typically comparative studies of developmental states, rather than drawing them into wider comparative studies of capitalism.

The blurred relationship between state and market in South East Asia was revisited in the wake of the Asian financial crises, when it became popular in some quarters to refer to the ‘crony capitalism’ of crisis

states. This epithet suggests that South East Asian capitalisms were the wrong sort of capitalism – they departed from the norm of proper and right capitalist practices. And to some extent the conception of Asian capitalisms as different – as something that should be considered when we look at Asia rather than in the mainstream of comparative studies of capitalism – is also evident in academic studies.

In short, I suggest that the study of capitalism focuses (for good reasons) on those cases where capitalism has by and large emerged in advanced industrialised democracies where there is a separation between public and private. Where different systems emerge, where the public-private split is less clear, then they are considered to be perversions of capitalism or perhaps an entirely different entity altogether. If capitalism is an economic system where the market distributes surplus to the class that owns the means of production, then there are many forms of capitalism where it is difficult to separate the bourgeoisie from the state that regulates the market on their (own) behalf. What is often lacking then is an understanding of varieties of capitalism with different state-market, state-society and public-private relations than is 'normally' the case.

When we do extend the focus of attention to non-core areas of the global political economy, we need to guard against concept stretching. If Van Wolferen is right, and western paradigms are used to try and understand things that look similar in Japan, then the 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 it. Dealing with what is still different remains relatively easy. The problem is the problem of the familiar.

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. Lasswell's (1936) distributive definition of politics should inform our analysis here – a study of who gets what, when and how – not just within China but also which groups, classes and/or interests within and without China have gained what from China's re-engagement with the global economy. As will be discussed in Chapter 6, economic

reform and insertion into the global economy has had a highly differential impact on China. The gap between the urban and the rural populations; between political insiders and normal citizens; between managers and workers; between those in full time jobs and migrant workers; and so on.

In addition, the Chinese case also reveals massive regional differentials – while some parts of China have become embedded within globalised 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 should be crucial for IPE scholars given the emphasis on marrying domestic level and international level analyses, and the importance of the P in IPE. Yet it is not always manifested in theoretical pieces considering the political economy of regional integration.¹⁸ 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 – something that we attempted to address in *Microregionalism and World Order* (Breslin and Hook 2002). In this respect, the work of area studies specialists (and political geographers) on and in China who emphasise the uneven spatial impact of integration with the global economy are ahead of the game, and have much to offer comparative political economists and IPE theorists in general.

Towards a framework of analysis

The Lasswellian definition of politics as ‘Who gets what, when, how?’ generates questions of distribution that lies at the heart of the investigation in this book – distribution in terms of power as well as eco-

conomic rewards, both within China and across national political boundaries. In order to do this, we need to consider a number of subsidiary questions and approaches, perhaps best encapsulated in a general manner by Bernard and Ravenhill's (1995) assertion that the 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.

Internationalisation or globalisation?

It would be possible to consider the sort of changes identified by Bernard and Ravenhill under the broad heading of internationalisation. Indeed, in many ways it would be much easier as it avoids the elephant trap of trying to define what globalisation actually is. To say that globalisation is a contested term is something of an understatement. From Kenichi Ohmae (1995) at one extreme to Hirst and Thompson (1999) 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). It is a term that has so many different meanings that it has almost become meaningless.

Hurrell (1995: 345) 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 [original emphasis]

In this respect, notions of globalisation as metaphor are useful in recognising the continued importance of states, but also the significance of societal actors in international relations that are often underplayed when the focus is on internationalisation. Hurrell also draws us to an understanding that, as Susan Strange (1994) forcefully put it in a critique of Stephen Krasner's (1994) understanding of the nature of IPE, we are living in a new era – 'The World *Has* Changed' [original emphasis].

Building on the work of Cox,¹⁹ the new political economy approach suggests 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. (Payne and Gamble 1996: 15)

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 spread of neoliberal ideas, and the spread of global finance and production. As Underhill (2000: 4) argues, we should not conceive of markets and political authorities as contending and/or separate forces, but rather as part of an 'integrated ensemble of governance'.²⁰

Global trade is obviously not new, nor is the fact that production of a single commodity entails activity in more than one country. But in considering China's engagement with the global political economy, we need to be aware of how new and changing patterns of production have shaped this process of engagement. For many, the key to understanding globalisation is a knowledge of 'post-Taylorist 'flexible' (Oman 1999) approaches to the organisation of production within and between firms.

It may be obvious, but it is worth repeating that economic globalisation does not just happen on its own without political decisions. It is true that technological advances have made it easier for production to take place on a global scale. And as will be discussed shortly, it is also true that changing modes of production place a significant element of 'power' in the decisions of non-state economic actors. But financial markets do not liberalise themselves; special economic zones do not create themselves; taxes are not lowered (or removed) on their own; and money can only be freely exchanged across national political borders if governments allow it (well, legally at least). Neither do ports, roads and railways build themselves – as the German Bundestag (2001) report on globalisation forcefully argued. The hard infrastructure that is so necessary for the physical transportation of goods is usually funded by governments rather than by the private sector and 'the growing worldwide integration of economies came not by any law of nature – it has been the result of active and deliberate policies'.

China engaged with the global economy because key decision makers decided that it served specific political interests. As will be argued in more detail in Chapter 2, the key here was changing conceptions of how the CCP could reform the basis of political legitimacy and maintain the party's grip on power. The subsequent way in which this engagement occurred was also a result of numerous government policies. It might be true, for example, that manufacturing capacity has moved across the border from Hong Kong to Shenzhen creating strong economic integration that straddles the border. But it is not a natural 'region state' as Ohmae would term it. Shenzhen's position as a Special Economic Zone (SEZ) was established through political fiat, and supported by other state policies on taxation, distribution, infrastructure construction and so on. This is not to say that the Chinese government has been in total control of the process. On the contrary, and as will be argued in Chapter 3, the investment decisions of non-state actors have been hugely significant, at times forcing a rethink of Chinese policy. But this should not obscure the fact that ideational and policy changes within the Chinese party-state elite came prior to the impact of external non-state actors on Chinese policy – as was once more the case with the decision to join the WTO. In essence, state actors created the space for non-state actors to flourish.

Not only is participation in the global economy dependent on ideational change, it also generates ideational change. Once the process of integration had begun, then if the logic of integration was to be continued, both policy and ideas were increasingly shaped by the need to maintain the growth of inward investment and access to foreign markets (Gill 1995, 2000). 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 are being exposed to new ideas. Business people too are developing new concepts and practices through processes of social and industrial learning. Liberal theorists and neo-Marxian Gramscian's might disagree about whether it is a good thing or not, but they share a belief that increased transnational economic interactions results in ideational change.

Globalisation and China

When considering the implications of these processes for studying China, two of the hypotheses promoted by Jean Grugel and Wil Hout (1998) regarding the implications of globalisation for developing states

are apposite here.²¹ First, globalisation adds more actors to the policy process and increases the power of 'external' actors over state policy, and second, globalisation engenders the recomposition and renegotiation of relationships between state actors. To the second, we can add Sassen's (1999: 159) argument that effects of economic globalisation often 'materialize in national territories' 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' (Sassen 1999: 167).

Following Sassen, then, we need to investigate the impact of globalisation on the institutional balance of power within China's governmental structures. 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. But we also need to consider the distribution of power between national and local state agencies within China. For example, considering the locus of power in China's FDI strategy, Guang Zhang (2000: 49) notes that:

the central government does not have much power to intervene in individual FDI projects locations. The location is essentially a matter between foreign investors and the governments at the provincial and local levels.

When combined with an understanding of the fragmented nature of post-Taylorist production, this pulls our attention to the relationship between the local and the global. 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, as much good literature on China does. 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, and 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 the regional and global economies. The overall structure may be a regional one or even a global one, but the mechanism through which China is integrated can be a local one, or a multitude of different local processes (Smart 2000: 74).

Pulling all this together, 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 (Potter *et al* 1997). 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.

Economic systems and structures do not just emerge on their own but are constructed to serve specific ends. This does not mean that their evolution follows some sort of pre-ordained plan. Often, as is the case with China, the development of the economic system can be dysfunctional in that the system that emerges owes more to the agglomeration of numerous initiatives to interpret and implement economic change to serve particular interests. These may be groups within a nation state, external to that state, or as Sklair (1995) argues, groups that span national political borders. An investigation of China's engagement with the global economy thus allows us to consider the reconceptualisation of interests and the reformulation of alliances as they are emerging.

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