# Rising Powers and State Transformation: The Case of China

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**Abstract**
This paper explores how the transformation of contemporary statehood is conditioning the "rise" of emerging powers, in terms of their internal policy formation and execution, and in terms of how their policies spur transformations of statehood beyond their borders. Many accounts of rising powers assume a timeless logic of rising and falling states. Comparisons drawn between Bismarck's Germany and today's China suggest these states are functionally identical and will thus behave similarly. This overlooks radical transformations in the nature of statehood since the nineteenth century, notably the emergence of regulatory states, decentralisation and multilevel and transnational modes of governance. We explore how these changes are conditioning the "rise" of China. Internal transformation leads to multiagency, multilevel contestation over policy, resulting in incoherent and externally provocative behaviour that is often misinterpreted as "Chinese aggression". Meanwhile, powerful forces within the Chinese state are increasingly promoting the transformation of other states in order to secure their transnational interests, notably in neighbouring areas of Asia.

**Introduction**

In the last decade, the emergence of 'rising powers' has gripped scholars and political leaders alike. The growing economic, military and diplomatic weight of states like China, India, Brazil and Russia is seen as a shift from a unipolar to a more multipolar world order, and possibly even serious great-power conflict. Despite the now voluminous quantity of commentary, this paper argues that International Relations (IR) has overlooked one crucial dimension: the way in which internal transformations of statehood are conditioning the 'rise' of emerging powers. Contrary to much mainstream IR theory, we emphasise that contemporary states – even in non-Western regions – are increasingly fragmented, decentralised and internationalised, with significant consequences for rising powers' foreign and security policies. First, fragmented and decentralised state apparatuses and quasi-market actors are increasingly pursuing their own independent interests and agendas overseas, generating conflict-ridden, incoherent policy output, often mistakenly interpreted as 'grand strategy'. Secondly, as these institutions and actors increasingly acquire transnational interests, they are also vying to establish transboundary governance arrangements to manage them, particularly in neighbouring territories. Thus, state transformation within rising powers indirectly generates attempts to promote it elsewhere.

Existing IR approaches overlook these dynamics because their focus is overwhelmingly *systemic*. They ask whether changing interstate power relations will violently disrupt the prevailing order, or whether there are sufficient constraints – military

deterrence, economic interdependence, institutions or norms, depending on one's theoretical orientation – to avoid serious conflict. Consequently, they do not consider that the 'units' of IR may have fundamentally changed, reshaping their interrelations. This neglects extensive literature on the emergence of 'post-Westphalian' statehood. For instance, political scientists have shown how a general shift towards 'regulatory statehood' has seen central executives withdraw from a 'command and control' model to merely setting broad targets for a wide range of national, subnational and private bodies. Many of these have subsequently developed their own international policies, breaking the monopoly previously held by foreign and defence ministries (Jayasuriya, 2001). Thus, state decentralisation has fostered 'paradiplomacy' by subnational agencies, turning them into quasi-autonomous foreign policy actors (Aldecoa and Keating, 1999). International Political Economy (IPE) and global governance scholars have explored how these changes have generated transgovernmental networks and networked, multilevel governance arrangements, particularly at the regional level (Slaughter, 2004; Cerny, 2010). However, scholars seem to dismiss the relevance of these insights for the study of rising powers, which are assumed to be 'Westphalian' states immune from such transformations, or even posit a reverse shift:

> it appears that a century of wars and diplomacy has brought the international system right back to where it was at its inception... the way [is] being paved back to Westphalia... by rising powers such as China, India and Brazil, who are staunch guardians of the principle of national sovereignty (Flemes, 2013: 1016-1017).

Even in IPE, scholars detect 'an unacknowledged transition from the globalisation debate of the 1990s... to a more state-centric framework in which the rising powers and the West are locked in a zero-sum struggle for influence over global governance institutions' (Gray and Murphy, 2013: 185). This cyclical hypothesis is reflected in publication titles that ask 'Will Asia's Past Be Its Future?' (Acharya, 2006), or whether the international system will go 'Back to the Future' (Mearsheimer, 1990; cf. Chong and Hall, 2014). We suggest that this reflects more a reluctance to update IR theoretical frameworks than any real-world reversal of the trends identified in existing scholarship.

Our argument proceeds in three subsequent sections. The first surveys the leading IR approaches to rising powers – realist, liberal, constructivist, English School and neo-Marxist – to highlight their general neglect of state transformation. The second section explains how we conceptualise state transformation theoretically and why it matters for the study of rising powers. Section three provides a case study of China, insights from which are also used in section one.

China is selected because it is the most important rising power, and because it is a 'hard' case for our argument, since IR scholars typically depict it as a unified, authoritarian regime and a traditional 'Westphalian' state, concerned to defend norms of sovereignty and territorial integrity. Indeed, it is often presented as the 'new Prussia' (Goldstein, 2003), threatening precisely the return to the 'Westphalian' world posited above. However, notwithstanding the Chinese leadership's frequent reiteration of its commitment to national sovereignty, Sinologists have long emphasised the rise of a 'fragmented authoritarianism' (Lieberthal, 1992), a 'deconstructed' state (Goodman and Segal, 1994), whose internal architecture is 'more like the European Community of the 1970s than the USA today' (Breslin, 2013a: 70). If these dynamics obtain in this most 'Westphalian' of rising powers, they may well do so in others; indeed, similar trends have been identified, for example, in India (Chacko, 2014).

The first part of our case study describes how China's state has become fragmented, decentralised and internationalised. The second demonstrates how disaggregated state

apparatuses and quasi-independent, market-facing actors are increasingly pursuing autonomous overseas action that is not effectively coordinated in Beijing. Our examples – overseas development assistance and territorial conflicts in the South China Sea (SCS) – show that what is often perceived as menacing evidence of 'grand strategy' may actually involve bureaucratic struggles and local economic imperatives. This has significant consequences for how we assess the 'threat' posed by China's rise. The third part shows how, as Chinese entities develop transnational interests, they seek to extend their 'governance frontier' beyond China's formal territorial boundaries, thereby promoting state transformation in other territories. We focus on the Greater Mekong Subregion (GMS), where Chinese agencies – notably the Yunnan provincial administration – are promoting massive infrastructural development and transboundary interventions to manage growing economic interdependence and non-traditional security threats. This transnationalism also shapes how China's rise is experienced, often generating mistrust and resentment, contrary to liberal expectations.

**IR and Rising Powers: The Neglect of State Transformation**

This section surveys the main IR treatments of rising powers – realist, liberal, constructivist and neo-Marxist approaches – to identify their core theses, but primarily to underscore their neglect of state transformation as a crucial dynamic shaping the 'rise' of emerging powers and how this constrains their utility.

*Realism*
Realists present international politics as a timeless power struggle between functionally identical states under anarchy. Power is understood materially, as the agglomeration of factors like the size of states' territories, populations, economies and armed forces. Economic growth is seen as fungible into military power and, since states' ambitions grow with their power, rapidly development generates changes in the balance of power, insecurity, and potentially armed conflict (Gilpin, 1981). Resource conflicts are seen as particularly likely as competition for scarce commodities, particularly hydrocarbons, intensifies (Klare, 2001). Realists differ on whether this is avoidable. For offensive realists, war is virtually inevitable, with China's rise seen as a major threat to the hitherto US dominated world order (Mearsheimer, 2001, 2006). Defensive realists are more sanguine, suggesting that China might be 'contained' or deterred by new alliances (Kirshner, 2010; Ross, 2006).

　　　Realism countenances no significant change in the nature of statehood under globalisation, significantly weakening its explanatory power. As liberals and IPE scholars highlight, an economy's size does not directly determine a state's power resources and conflict potential. Transnational production networks account for much of emerging economies' recent economic growth, which both deepens economic interdependence and makes national-level accounting highly misleading, since profits are often realised disproportionately outside rising powers' territories (Breslin, 2013a). Moreover, the transnational nature of China's economic rise means that it is not simply experienced as a shift in external, interstate power relations, but also through changes internal to other societies, whether through cheap commodities and credit in Western economies or the bolstering of African elites through Chinese aid and investment. Accordingly, as Shambaugh (2013: 315, original emphasis) retorts: 'China literally could *not* be contained even if it were decided that this was a wise course of action—precisely because of China's *existing integration* in the global system'.

　　　More importantly, realists may misinterpret behaviour driven by internal state transformations. For instance, the notion that rising powers like China are 'grabbing' natural

resources, often in alliance with 'rogue' states like Sudan, ignores the fact that, following deregulation, the formally state-owned enterprises (SOEs) involved are actually highly autonomous, market-driven entities selling their commodities on global markets, not delivering them to China (Houser, 2008). What may appear as a coherent, expansionist strategy emanating from Beijing thus often reflects incoherent profit-seeking in a crowded marketplace. Similarly, extensive decentralisation of power to China's provincial governments has fostered 'duke economies' that are often more integrated with different overseas economies than with each other. This disaggregation of statehood generates internal conflicts over external relations, not a single 'national' position (Goodman and Segal, 1994). For example, while Hainan province benefits from advancing territorial claims in the SCS, over which it has formal administrative control, landlocked Yunnan province is tied economically to mainland Southeast Asia, such that antagonising neighbouring states would only damage it (Zha, 2001; Su, 2012b). Such contradictory impulses may help explain why, for example, Chinese policy in the SCS is 'consistently inconsistent', swinging wildly between conciliation and provocation (Santicola, 2014). Because they neglect state transformation, realists overlook this possibility, questionably reading into every action sinister strategic motives.

*Liberalism*
Liberals are more sensitive to the dynamics described above, arguing that rising powers' conflict potential can be mitigated through economic interdependence and institutional enmeshment, which can encourage rational cooperation based on commerce and mutual gains. Thus, liberals have long argued that relative US decline need not portend the collapse of the US-created, liberal world order (Keohane, 1994; Ikenberry, 2008). They instead suggest that outcomes will turn on whether rising powers are fully integrated into prevailing institutions or remain outsiders (Simpson, 2004). While most liberals are typically optimistic, others argue that intense economic interdependence could breed conflict, or raise doubts about the emergence within rising powers of middle classes sharing the rationalist, universalist outlooks necessary to underpin global cooperation (Chin and Helleiner, 2008; Friedberg, 2005).

Notwithstanding this more sensitive approach, liberals remain insufficiently attuned to the importance of state transformation, which conditions how rising powers relate to both economic interdependence and international institutions. As noted earlier, Chinese regions are differentially integrated into different parts of the global political economy, while inland regions are hardly integrated at all, producing a 'conservative outlook' (Goodman and Segal, 1994: 18). Moreover, given the nature of local state-business compacts, transnationalisation may take a state-capitalist rather than liberal form, which often generates exploitative practices and conflict, not pacification (Nung Wong *et al.*, 2013). As for international organisations, it may be subnational, rather than national agencies that are integrated into them. For example, Yunnan's provincial government is the lead Chinese participant in the GMS (Su, 2012b). Similarly, entry to international organisations is promoted by some agencies but resisted by others. For example, China's World Trade Organization (WTO) accession was promoted by pro-market reformers but resisted by conservatives in various economic ministries, and many local governments also resist implementing WTO regulations (Breslin, 2013a: 83, 90-91, 96, 99-101). Whether interdependence and institutional enmeshment create the effects liberals anticipate thus depends on the specific agencies involved – and thus on state transformation.

*Constructivism*

Like liberals, constructivists are more optimistic than realists about rising powers' impact on international order (Acharya, 2006). They understand states as social actors whose interests and identities can be transformed through interaction, persuasion and socialisation; accordingly, rising powers may internalise prevailing norms, rather than overturning them. Much constructivist discussion of China has thus argued that it is a 'status quo' power, making only modest demands for reform within leading global institutions (Johnston, 2003). Others emphasise rising powers' historical culture, suggesting that, for example, China's normative tradition of Confucian pacifism or benign Asian suzerainty will ensure a peaceful rise (Wang, 2013; Kang, 2003). Contradictorily, however, some draw attention to a tradition of Chinese *realpolitik* with more disturbing ramifications (Johnston, 1998).

Constructivists thus treat rising states as coherent, unitary actors – even, in some variants, as persons (Wendt, 2004) – with coherent 'identities'; they largely neglect states' internal reconfigurations. This is problematic, because the question of which norms to adopt and what 'identity' to project are frequently hotly contested within rising powers, reflecting wider struggles for power and resources (see Shambaugh, 2013: ch.2). Thus, while constructivists might demonstrate persuasively that small groups of Chinese MFA officials have been 'socialised' into a normative international order promoted by the Association of Southeast Asian Nations (ASEAN) (Johnston, 2003), this does not necessarily mean that these norms will prevail in policymaking. In an era of state disaggregation and decentralisation, foreign policymaking is open to a far broader array of actors, pursuing sometimes contradictory interests and agendas. As a former US Assistant Secretary of State recalls, SCS conflicts have often reflected 'unanticipated accidents and incidents' involving 'poorly coordinated elements in the military or border protection units', not a national strategy, forcing the embarrassed MFA 'to work carefully behind the scenes' with the US to 'untangle the mess' (Campbell, 2014). Thus, without attention to state transformation, we cannot know whether normative socialisation will really restrain a rising power.

*English School*
The English School or 'international society' approach attends to power, ideas and institutions simultaneously. For its adherents, emerging powers are rising not in a vacuum, but a pre-existing 'anarchical society', comprised of deeply rooted 'primary institutions': shared norms and practices that structure international relations and condition their potential to attain great-power status (Buzan, 2004). Power capabilities are necessary, but insufficient: great power status is only accorded 'socially', when other states accept a rising power's claims in exchange for international public goods (Goh, 2013). Like constructivists, most English Scholars suggest that emerging powers like China are rising within a US-dominated world order, rather than fundamentally challenging it (Hurrell, 2006; Goh, 2013). However, sceptics like Buzan (2010) note many contradictions between Chinese rhetoric and behaviour, justifying fear of a 'China threat'.

Despite its considerable sophistication, the English School is constrained by its entrenched statism. 'States', conceived of as essentially unitary actors, are the supposed subjects of 'international society'. Despite some recognition of non-governmental actors' increasingly important role, these are simply added alongside 'states' to form 'hybrid' global governance arrangements (Buzan, 2004: ch.4; Hurrell, 2008: ch.4). States *themselves* are not thought to have changed; indeed, the English School's leading theorist explicitly denies that 'globalisation is... associated with and reflects a new kind of state' (Hurrell, 2008: 203). Thus, the English School neglects to explore how different parts of rising powers' states may be integrated very unevenly into different aspects of international society, and how struggles amongst them may ultimately determine whether a rising power respects or challenges international order.

*Neo-Marxism*
Neo-Marxist accounts of rising powers, the most sensitive of all to transnational dynamics, have often developed specifically in relation to China. A Leninist strand emphasises the crisis-prone nature of the contemporary neoliberal order and the possibility of Sino-US inter-imperialist rivalry (Callinicos, 2009). Gramscian approaches analyse rising powers as challenges to US hegemony, which is understood to be founded on a specific 'historic bloc' of class forces across many states that see US leadership as supporting their interests and receive flows of material benefits from it (Cox, 1987). Gramscians typically underscore this bloc's abiding solidity, arguing that China is fundamentally rising within it, albeit with a more 'statist' approach than Western powers (Saull, 2012; Stephen, 2014). Others, influenced more by World Systems Theory, suggest that China is forging a new counter-hegemonic alliance of developing states (Arrighi, 2007).

Only Gramscian approaches are at all sensitive to state transformation. The Leninist strand is an essentially 'proto-realist' account (Callinicos and Rosenberg, 2008: 85), which pays no attention to the reconfiguration of statehood. World Systems Theory generally neglects local class conflict and state institutions, simplistically presenting the latter 'as emerging... from the (changing) requirements for the generation of [economic] surplus' (Brenner, 1977: 27). Gramscians, however, have considered how hegemonic states promote state transformation, particularly in turning subordinate states into 'transmission belts' for US-dominated neoliberal capitalism (Cox, 1987). Nonetheless, Gramscians too often treat rising-power states as monolithic entities, arguing that apparently coherent 'state classes' dominate their 'state capitalism', producing 'national interests and state preferences' that diverge from Western-liberal ones (Stephen, 2014). This marginalises contestation, fragmentation and internationalisation *within* states and 'state classes'.

**The Importance of State Transformation for Rising Powers**

This section explains why state transformation is important for understanding today's emerging powers, with specific reference to China. Our basic argument is that, under contemporary conditions of globalisation, states can no longer be understood as Weberian, sovereign monoliths, coherently ruling bounded territories. They are increasingly 'post-Westphalian': fragmented, decentralised, and internationalised. Today's emerging powers are therefore quite different to Prussia, and are 'rising' in a very different environment to that of the nineteenth century.

Our notion of state transformation is underpinned by a branch of Marxist state theory associated with Poultanzas (1976) and Jessop (2008). On this view, states are not unitary actors, expressing a national interest or collective identity, but ensembles of institutions that reflect and embed historically evolving social power relations. The political representatives of social forces – particularly classes, class fractions and distributional coalitions, but also ethnic, religious and state-based groups – consequently struggle to transform state institutions to suit themselves and their allies. Accordingly, states are dynamic and historically contingent, reflecting changes in political economy relations, particularly class formation and the political strategies of socio-political forces.

From this perspective, the classic Weberian-Westphalian state, which is often taken for granted as IR's basic 'unit', was a historically specific product of particular social conflicts. The consolidation of the Weberian state – a hierarchically organised, territorially bounded, sovereign system of rule – occurred only through a centuries-long struggle by European princes to forcibly unify disparate territories and surmount competing authorities like city-states, rival aristocrats and the Catholic church (Tilly, 1990). Contrary to the 'myth of Westphalia', this state form was consolidated only in the nineteenth century; previously,

transnational aristocratic politics dominated, with decisions about war and peace being determined by monarchs' concerns to extend their families' personal fiefdoms (Teschke, 2003). Even then, Western 'nation-states' coexisted alongside transnational empires well into the twentieth century; it was only following two World Wars, increasingly violent anti-colonial struggles and the onset of the Cold War that this state form was finally universalised (Hobsbawm, 1987, 1994).

The Weberian-Westphalian state was then consolidated by specific post-World War II global institutions based around 'embedded liberalism' (Ruggie, 1998). This regime's domestic foundation was a social-democratic compact between capital and labour, which conceded significant welfare gains to the latter to counter workers' radicalisation in the context of the early Cold War. The Keynesian settlement at Bretton Woods was designed to support this by tightly regulating global capital flows, empowering national leaders to protect and develop domestic industries, and enabling a Fordist mode of production in which a rising social wage sustained demand. The postwar global economic order thus consolidated 'the primacy of national economies, national welfare states, and national societies managed by national states concerned to unify national territories and reduce uneven development' (Jessop, 2009: 99). This was supported politically through norms of sovereign equality promoted through the United Nations, which sanctified postcolonial states' borders (Barkin and Cronin, 1994). Great power interventions, while frequent, were nonetheless temporally bounded, seeking to restore a preferred social order before withdrawing, leaving the target's formal sovereignty intact (Colás, 2008). Crucially, all of the aforementioned IR theories developed in this postwar period, their notions of statehood and world order heavily shaped by this high period of the 'nation-state'.

However, from the late 1970s onwards, modern statehood fundamentally changed. In the 1970s, Western capitalism underwent severe crisis, disrupting the post-war social compact and producing widespread labour unrest, economic stagnation and social conflict. The crisis was addressed in favour of capital by the forces of the new right, which defeated trade unions, curbed wage growth, privatised state assets and radically deregulated international trade and finance (Harvey, 2005). The state's role was fundamentally reconfigured, from supporting a social-democratic compact through developmentalist intervention to securing competitiveness in a global marketplace. Corporatist institutions, which had given organised labour direct access to policymaking, and apparatuses concerned with direct economic management and industrial development, were dismantled. SOEs were extensively privatised, and regulatory powers reassigned to quasi-autonomous or private organisations, including devolved local administrations. The central state shifted from a 'command and control' model, based on direct intervention to secure economic, social and political objectives, to a 'regulatory' model, whereby central government merely sets targets and regulations for diverse public and private actors to follow (Majone, 1994).

This model was gradually spread beyond the West through various mechanisms. Following the early 1980s debt crisis, the International Monetary Fund (IMF) imposed structural adjustment programmes on many Southern states. Coupled with decades of subsequent 'good governance' aid interventions, this has compelled a dismantling of postcolonial development states in favour of 'governance states' designed to ensure the best regulatory environment for neoliberal capitalist development (Harrison, 2004). The World Bank has also promoted decentralisation extensively in developing countries, further spurring the disaggregation of hitherto unitary postcolonial states. Asia's developmental states transformed more slowly, but the process intensified after the 1997-1998 Asian financial crisis. Here, state restructuring was again compelled partly by IMF intervention and the stalling of state-led development, but also by the pressures of global financial markets and the emergence of transnational production networks, which ruling elites increasingly promoted to

achieve economic growth. Accordingly, regulatory states have emerged across Asia, and the global South more broadly (Dubash and Morgan, 2013).

This transformation of statehood carries significant consequences for international politics: the range of actors involved has broadened enormously; and, as deregulated transnational flows have intensified, these actors feel under increasing pressure to manage their transboundary effects. As governmental authority has been decentralised, national ministries and agencies, subnational administrations and quasi-public and private regulators have increasingly developed independent relationships with their foreign counterparts (Jayasuriya, 2001). The foreign policy monopoly of foreign and defence ministers has thereby disappeared. Disaggregated, functional bodies and technical experts have increasingly formed 'transgovernmental networks' to coordinate regulatory policies (Slaughter, 2004), while subnational administrations pursue their interests through independent 'para-diplomacy' (Aldecoa and Keating, 1999). This transnational networking is seen as essential to manage the negative side effects of deregulation and globalisation, which is thought to have generated boundary-spanning crises, risks and threats beyond the capacity of state actors to address alone. Accordingly, new scales of governance have emerged, from cross-border regions to regional and global regulatory regimes (Blatter, 2004; Hameiri and Jones, 2013; Keating, 2013). Agents and institutions from several countries, at multiple territorial scales, are increasingly networked into multilevel governance arrangements, where authority is no longer centred on Weberian states but is continually negotiated (Hooghe and Marks, 2003). In other cases, institutions of powerful states have moved to directly govern, or transform states in, risky spaces through statebuilding interventions, pushing their 'governance frontier' well beyond their territorial borders (Hameiri, 2010).

This uneven and contested process of state fragmentation, decentralisation and internationalisation carries significant consequences for today's rising powers and our understanding of them. First, insofar as they are undergoing state transformation, today's rising powers may differ starkly from those of the nineteenth century. They may not be coherent Weberian-Westphalian states. Different parts of the state, allied with different nonstate forces, may well pursue different, even contradictory agendas, and be differentially integrated into transnational economic and security regimes. Central authorities may have difficulty coordinating these various elements, making their state's 'rise' potentially conflict-ridden and difficult for outsiders to interpret. What looks like 'grand strategy' may simply be driven from below by increasingly autonomous state and/or private actors.

Secondly, today's rising powers are not simply seeking to unify and develop national economies, as in the nineteenth and twentieth centuries, but to achieve growth by inserting parts of their economies into transnational production and investment networks. They are consequently engaged in complex webs of interdependence from the outset, profoundly shaping their interests. But while some parts of their states and economies become deeply intertwined with global economic processes, others are less so, potentially generating internal contradictions and conflicts over policy. Indeed, different elements may promote involvement in international regimes as part of a struggle against their rivals. Simply because one part of a rising power's state seems deeply embedded within existing international institutions does not mean that other parts are, or will be subordinate to those that are. Moreover, the transnationalised nature of emerging powers' economies means that their 'rise' is experienced by other states not merely as an external shift in systemic power distribution, but also internally, through the reconfiguration of production and consumption patterns and attendant shifts in social composition, power and conflict.

Thirdly, these transnational linkages and associated vulnerabilities generate imperatives for rising powers to extend their 'governance frontiers' beyond their borders and participate in transnational, functional governance networks. For post-Westphalian rising

powers, the capacity to join and influence these networks is of increasing importance (Flemes, 2013); it has even been described as the 'new sovereignty' (Chayes and Chayes, 1995). Again, different interests may exploit their variable capacity to transnationalise their activities to influence domestic power struggles. Accordingly, liberal, constructivist and neo-Marxist explorations of whether existing institutions are constraining or being transformed by rising powers must be extended from formal intergovernmental regimes to these functional networks, since they are also an important domain of struggle and conflict.[1]

## State Transformation and the Rise of China

This section develops the foregoing conceptual claims empirically through a case study of China. Many IR scholars who are not Sinologists depict China as a highly coherent state – perhaps unsurprisingly, given its remarkably durable one-party, authoritarian regime and the general opacity of its policymaking process. Accordingly, they tend to present China's international behaviour as reflecting a sinister 'grand strategy' (Goldstein, 2003). As the quintessential 'Westphalian' state, China apparently offers 'no viable alternative to the Cold War structure of international relations based on absolute sovereignty, non-interference and traditional power balancing' (Odgaard, 2007: 216). Conversely, our first subsection draws on an extensive specialist literature to show that the Chinese state has undergone extensive disaggregation, decentralisation and internationalisation since the late 1970s. As Su (2012a: 4) insists:

> we cannot treat the Chinese state as monolithic, or 'China Inc.,' in which everything works in harmony... the Chinese state's functionality is riddled with competing state agencies, problems of cross-department coordination, and mismatch between central and local policies.

Our second and third subsections explore the consequences of this for China's rise: rivalries and incoherence in foreign and security policy, and efforts to extend China's governance frontier to manage transnational issues.

*China as a Post-Westphalian State*
Since Deng Xiaoping initiated the reform era in 1978, the Chinese state has experienced considerable disaggregation, the divestment of power and control to semi- and fully private actors, and devolution of authority and resources to sub-national agencies. These changes were designed to insert China into a global division of labour, and the resultant transnationalisation of production and subsequently investment has further spurred state transformation.

The contested shift from Maoist state 'socialism' to state-managed capitalism has been the primary driver of Chinese state transformation. This has massively shifted power and control over resources to a nascent bourgeoisie, which mostly emerged from the Chinese Communist Party (CCP) itself (Lu, 2000). Beginning in the late 1970s with modest concessions to market mechanisms, by the 1990s the state was privatising many small and medium sized enterprises, while consolidating larger ones. Many of the resultant 'giant conglomerates' were then corporatised: formally, they remained state-owned, but they were now run as largely autonomous, self-financing capitalist enterprises (Zheng, 2004: 131-133). China's national oil companies (NOCs), for example, are listed on the Hong Kong stock market; answerable to foreign shareholders, they are primarily driven by 'corporate

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[1] Preliminary examples, though constrained by a continued neglect of state transformation, include Drezner (2008) and Mattli and Woods (2009).

interests... rather than by the national interests of the Chinese state' (Downs 2004, quoted in Houser, 2008: 151).

Meanwhile, central state apparatuses have been reduced, reoriented to a coordinating function, and display decreased coherence. From the late 1990s, agencies associated with planning and economic management were abolished; the number of ministries fell by 28 percent and the civil service halved (Zheng, 2004: 91-106). The central government has retreated from directly controlling production and distribution, relying increasingly on broad macroeconomic policies to coordinate other public and private actors. For example, as in many Western states, China's central bank, the People's Bank of China (PBC) was given independent control of monetary policy in 1995 (Zheng, 2004: 128). These piecemeal reforms have vastly reduced the central state apparatus's coherence, with many ministries and agencies enjoying overlapping jurisdictions, including in foreign affairs. For example, eleven ministerial-level agencies have some responsibility for China's oceans, and the figure is the same for China's energy policy (ICG, 2012: 8; Meidan *et al.*, 2009: 596-597). The MFA has not only lost its monopoly control over foreign affairs; it has no authority to coordinate these equally ranked agencies.

A second key element of China's state transformation has been decentralisation to provincial governments and the incorporation of special administrative regions (SARs). To spur capitalist reform, provincial administrations were granted extensive latitude to experiment with governance innovations from 1980, and fiscal responsibilities were also devolved. Local governments seized the opportunity with relish, rapidly developing local businesses, privatising SOEs into the hands of local cadres, and establishing internal protectionist measures, shattering the national economy into local 'economic dukedoms' (Zheng, 2004: 111-112). Crucially, the provinces were also empowered to independently manage international economic relations, generating regulatory changes and transboundary diplomacy to increase trade and investment (Breslin, 2013a: 186). This further cemented the MFA's loss of control over foreign policy.

Notwithstanding repeated central government efforts to claw back power and, especially, tax revenue, the provinces resisted and, by 1994, '*de facto* federalism' had been established (Zheng, 2007). Provincial governors rank alongside national ministers, making it impossible for ministers to issue them with direct instructions. Furthermore, some provincial governments have restructured their local administrations, entirely severing national ministries' line control. The interests of local and national leaders are now frequently at odds. Consequently, central government initiatives regularly 'encounter substantial obstruction and non-compliance' from devolved administrations (Andrews-Speed, 2010: 28). The situation was complicated further by the incorporation of Macao and Hong Kong as SARs. Under the formula 'one country, two systems', they have retained their own legal, judicial and political systems, permitting even greater autonomy from Beijing. Decentralisation has thus transformed China into 'a voluntary regulatory state, with local authorities still able to decide whether to adhere to central regulation or not' (Breslin, 2013a: 72).

In sum, what appears to outsiders as 'an apparently powerful central government and unified system of governance' is in fact 'a fragmented and chaotic structure over which the central government has little control'. Outcomes reflect not authoritative central decisions but 'bargaining... horizontally between government ministries, agencies and state enterprises, as well as vertically, between different levels of government' which 'continues throughout implementation' (Andrews-Speed, 2010: 22, 27). The Chinese state is, in fact, a dynamic form of multilevel governance. It is primarily held together through officials' membership of the CCP, advancement through which requires some degree of loyalty to central government priorities.

A final aspect of China's state transformation is the uneven internationalisation of national and subnational state agencies, along with national and provincial SOEs (Zweig, 2002). Some of these actors promote compliance with international governance systems, while some formerly domestic entities have themselves acquired governance functions beyond China's territorial boundaries. Although this has been accelerated by China's increasing insertion into global trade and investment networks, it is not simply a functionalist response to interdependence but also reflects internal power struggles. Internationalisation can be a strategy for some interests to impose international disciplines on domestic rivals.

For example, the PBC, a historically 'weak and marginalised institution' (Bell and Feng, 2014: 198), has attempted to use internationalisation to empower itself and advance its reform agenda against powerful domestic opponents, with variable success. The PBC's reformist technocrats have struggled to impose neoliberal disciplines on the domestic banking sector, because powerful politico-economic interests benefit from politically directed banking credit – which has saddled Chinese banks with massive non-performing loan books. The PBC has pursued internationalisation to outflank its opponents. It has promoted compliance with the Basel Accords since 1990, becoming part of the global governance of banking in the process. The PBC also promoted strict compliance with WTO rules, hoping that exposing domestic banking to foreign ownership and competition would compel further reforms (Walter and Howie, 2012). This sparked massive conflict with the Ministries of Finance (MOF) and Commerce (MOFCOM), which feared losing political influence over credit allocation and a decline in bank asset values. Following a long struggle, the PBC lost regulatory control to the newly created China Banking Regulatory Commission. Accordingly, Chinese banking was only partially liberalised, violating Beijing's WTO commitments (Breslin, 2014: 1000; Walter and Howie, 2012).

The PBC had greater success in pursuing deregulation of China's currency, the *renminbi* (RMB), through strategic internationalisation. Here, too, it faced stiff opposition, since the RMB's artificially low peg to the US dollar massively boosts exporting companies, and because currency controls enhance government control over credit allocation. The PBC therefore promoted the RMB's internationalisation, directly forging currency swap agreements with foreign central banks and fostering RMB trading centres in Hong Kong, Taipei and Shanghai. This allows the price of 'offshore' RMB to float, while maintaining domestic exchange rate controls. While it justified these moves by appealing to nationalists with talk of boosting China's 'influence' and 'power standing', in reality, internationalisation was a deliberate PBC ploy to compel further domestic reform (Bell and Feng, 2014: 199; Cohen, 2012). Experts argue that internationalisation and currency controls are ultimately unsustainable, making further currency liberalisation – the PBC's preferred outcome – inevitable (McCauley, 2013).

*The Impact on Foreign and Security Policy*
How does China's state transformation influence its 'rise' in terms of its foreign and security policy? Crucially, unlike the Weberian-Westphalian states of the past, China's rise does not reflect a monolithic state pursuing a coherent grand strategy. Instead, reflecting the state's disaggregation and uneven internationalisation, multiple state and quasi-private actors, having become somewhat autonomous foreign policy actors, are pursuing uncoordinated and sometimes contradictory agendas overseas. This behaviour often provokes a domestic anti-Chinese backlash in other territories, and fears about China's intentions, which are often interpreted as being more coherent and sinister than they actually are. We demonstrate this by considering China's aid programmes in the Pacific, and Chinese policies in the South China Sea (SCS).

China's state transformation has substantially fragmented and expanded the domain of foreign policy formation and implementation. The MFA's power has substantially declined and it now faces 'intense rivalry' from other 'foreign policy actors' (Jakobsen and Knox, 2010: 10). Since the 1990s, it has had to bargain with and seek – often unsuccessfully – to coordinate a wide range of agencies, including the armed forces, MOF, MOFCOM, state security apparatuses, the central bank, the National Development and Reform Commission (NDRC), and the CCP's International Department (Jakobsen and Knox, 2010: 4-16). Major corporatised SOEs are also *de facto* foreign policy actors. For example, Chinese NOCs, whose chairmen retain vice-ministerial rank, operate abroad without regard for national priorities, being empowered to 'adapt, modify and even subvert government directives' (Chen, 2009: 254-258). Accordingly, 'it is the NOCs which drive... China's international energy agenda, rather than the government' (Andrews-Speed, 2010: 53). Provincial governments have also become quasi-autonomous foreign policy actors. In pursuit of economic growth, they have independently concluded many transboundary agreements with local and national governments as far afield as Africa (Zhimin *et al.*, 2010; Li, 2014). Reflecting China's shift towards a regulatory state, central government is still involved in defining broad policy contours, and its financial and political support for local initiatives is often courted by local administrations. However, as the main implementing agencies, the provinces retain considerable authority and latitude to shape outcomes, which often diverge from Beijing's intentions.

Chinese Aid in the Pacific

China's rising development assistance to the South Pacific clearly illustrates the fragmentation and partial internationalisation of the Chinese state. Chinese foreign aid is typically viewed as part of a broader hegemonic strategy, as 'rogue aid' designed to undermine Western efforts to use aid to improve governance, environmental standards and democratic space (Naím, 2007). In the Pacific, some observers argue that China's growing engagement, including through aid disbursements, reflects an aggressive plan to 'replace the United States as the preeminent power in the Pacific Ocean' (Henderson and Reilly, 2003: 95). More sanguine observers describe Chinese behaviour as 'soft balancing' of American and Australian interests, or a drive to dominate global supplies of raw materials for Chinese industry (Lanteigne, 2012; Yang, 2009).

These perspectives are fundamentally mistaken. Rather than part of a strategic 'master-plan', Chinese aid is primarily driven from below, by commercial considerations, and is far more fragmented and incoherent than often assumed (Breslin, 2013b). Although notionally centred upon MOFCOM, significant aid funds are allegedly concealed within numerous other ministries' budgets, including Health, Education, Agriculture and Foreign Affairs. MOFCOM has been unable to compel MOF to even disclose the aid budget's true extent (Grimm *et al.*, 2011: 7). This makes China's aid policy-making and -implementation system a 'recipe for chaos' (Brautigam, 2009: 116). In practice, Chinese aid is primarily driven and implemented 'from below' by various state-owned, private and public-private companies, linked predominantly to subnational governments, which seek business opportunities by lobbying Chinese and Pacific state agencies to initiate aid-funded infrastructure and construction projects. These projects are not linked to natural resources; companies instead accept projects, requested by recipient governments, with profit margins of about 1-2 percent, hoping to leverage their subsequent foothold to later receive more lucrative contracts (Brautigam, 2009). Thus, Chinese aid is mostly driven by 'Chinese infrastructure companies in the Pacific, not aid agencies in Beijing' (Smith, 2012).

Two examples demonstrate this. Papua New Guinea (PNG), the Pacific's largest state by population and GDP, receives 58 percent of total Chinese aid to the region. This has been

focused on infrastructure projects like student dormitories. Chinese investment in a US$2.1bn nickel mine since 2005 has been presented as evidence that these projects all aim to facilitate a massive resource grab. In reality, they reflect independent, profit-seeking behaviour by diverse business actors. In 2012, 13 of the 20 largest Chinese enterprises registered in PNG were construction firms, while nearly half of Chinese investment comprised small and medium sized retail and wholesale enterprises (Smith, 2013: 329). Similarly, a sevenfold increase of Chinese aid to Fiji in 2007 was widely interpreted as a malign attempt to bolster a new military regime against Australian sanctions. In reality, the increase had been agreed as part of a wider pledge to Pacific governments in 2006, before the Fijian coup, and aside from an e-government project, it was all devoted to construction and infrastructure (Yang, 2011: 307-308). Far from expressing coherent, sinister, strategic intent, Chinese aid in the Pacific seems more to reflect politically connected construction firms lobbying for tied aid to absorb their surplus capacity overseas.

The South China Sea

The SCS is even more seriously affected by inter-bureaucratic and multi-level strife within the Chinese state. The SCS, an area rich in fisheries and hydrocarbons, is widely regarded as one of East Asia's most serious flashpoints. China has issued vague but obdurate claims to a vast oceanic area – the so-called 'nine-dashed line' – which overlaps with those of six Southeast Asian states. Conflicts with Vietnam and the Philippines have been particularly acute, notably in the mid-1990s and since 2012. This is widely interpreted – particularly by realists – as reflecting China's growing power and strategic ambition, fuelling fears of looming armed conflict (Kagan, 2014). The reality is far less coherent.

The MFA clearly does not control China's SCS policy. While 'theoretically responsible', in practice is it 'largely bypassed by... more powerful players' (ICG, 2012: 12). A further dozen national and subnational agencies have some jurisdiction in this area, including the Ministry of Agriculture's Bureau of Fisheries Administration, China Marine Surveillance, provincial governments, the Navy, the NOCs, and six different law enforcement agencies under four different ministries (ICG, 2012: 8). Neither the MFA nor the CCP Politburo's Foreign Affairs Leading Small Group has 'ultimate power and authority' over the SCS; decisions are instead made by 'multiple autonomous actors' (Chung, 2004b: 267-272). Consequently, while the MFA has promoted a relatively cooperative line – including ratifying and implementing the UN Convention on the Laws of the Sea in 1992, and agreeing on a Declaration on the Conduct of Parties in the SCS with ASEAN in 2002, it is persistently undermined by other parts of China's disaggregated state.

The navy, for example, has repeatedly exploited SCS disputes to defend and expand its budget. This is thought to have directly precipitated a 1988 military clash with Vietnam which resulted in China seizing the Paracel Islands (Garver, 1992). Similarly, in 1995, the navy seized Mischief Reef, claimed by the Philippines; this was apparently the price extracted for its support of incoming premier Jiang Zemin (Storey, 1999).[2] While the MFA has repeatedly stated that China only claims sovereignty over the islands in the SCS and their territorial shelves and exclusive economic zones, the navy consistently lays a maximalist claim to the entire area within the nine-dashed line (Chung, 2004a: ch.6).

China's largely autonomous NOCs also generate conflict and crises in the SCS. In the 1990s, due to the exhaustion of domestic supplies and a profit crunch induced by state controls on retail prices, the NOCs exploited their considerable influence and growing elite concerns about energy security to successfully lobby for a 'go out' policy (Houser, 2008:

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[2] Indeed, territorial disputes often escalate as new leaders seek to consolidate their power bases through purges and nationalist posturing; Zhang (2014) attributes recent tensions in the SCS to the handover from Hu Jintao to Xi Jingping.

152-153). However, as relative latecomers to international oil exploration, the only fields open to Chinese NOCs have been in 'rogue' states and disputed territories like the SCS, neglected by Western oil majors; the MFA is left fending off subsequent international condemnation of NOCs' activity (Downs, 2008: 129). In the SCS, like the navy, the China National Offshore Oil Company (CNOOC) asserts Chinese sovereignty over the whole nine-dashed line area, as this vastly expands the concessions it can offer to national and foreign oil and gas firms. It has repeatedly issued such concessions, despite MFA disapproval, sparking disputes with neighbouring states (Beckman *et al.*, 2013: 429-430).

The NOCs have also successfully rallied other state agencies to their cause. In 2007, the Chinese National Petroleum Company (CNPC) commissioned Canadian firm TransOcean to drill in the Zhongjiannan basin, an area of the SCS partly disputed with Vietnam, which CNPC had been exploring since 2004 with backing from the Ministry of Land and Resources (Xinhua.net, 2014). CNPC survey vessels were harassed by Vietnamese coastguards, but were able to summon State Oceanic Administration vessels to protect them. The latter rammed the Vietnamese, sparking an international incident (Bentley, 2014). The project was abandoned in 2008 under MFA pressure (Downs, 2014). By 2012, though, CNOOC had procured its own deep-sea rig, which CNPC hired then deployed in Vietnamese waters in March 2014. The rig was accompanied by up to 80 Chinese vessels, including seven naval ships, suggesting CNPC had also recruited the navy to its cause – or vice-versa (Thayer, 2014). This caused a massive diplomatic crisis. The MFA had to contradict its own policy by claiming that the rig was in Chinese territorial waters, which implied a claim to the entire nine-dashed-line area – further alarming regional governments. These events also prompted widespread anti-Chinese rioting in Vietnam in which 20 people died, illustrating how China's chaotic rise is experienced internally in other countries. The rig was removed in mid-July 2014.

The free-wheeling actions of Hainan's provincial government are another serious irritant. As Zhang (2012: 18) notes, unlike the MFA, 'which is committed to avoid diplomatic and security conflicts with neighbouring countries, local governments are motivated by economic concerns'. The coastal provinces gained administrative control over China's territorial waters in 1992; subsequently, they developed their own local law enforcement agencies and pursued maritime development opportunities, licit and otherwise. Hainan province administers the entire area claimed by China in the SCS, which is 60 times larger than its own land surface. It thus has a strong interest in asserting maximalist territorial claims to promote local business opportunities.

Largely excluded from hydrocarbons, the NOCs' domain, Hainan has instead sought to expand the local fisheries industry. Following the industry's deregulation in 1992, Hainan provided extensive financial support to state-owned and private fishing companies, increasing the fleet's size tenfold from 1988-1997. Fisheries yields quadrupled, but the resultant overfishing in China's territorial waters forced the fleet into the SCS (Zha, 2001: 588-592). Hainan's unsustainable fishing boom, and its subsequent international consequences, should have been prevented by the national government's adoption of UNCLOS and the Food and Agriculture Organisation's sustainability standards in 1999-2002, which should have *reduced* Hainan's fishing fleet. However, as with many central initiatives, local governments resisted implementing these regulations, siding with local economic interests (Brans and Ferraro, 2012). Indeed, Hainan actively supported the fleet's expansion into the SCS by subsidising expeditions, financing the upgrading of trawlers, and providing rescue services when ships are confronted by other countries' coastguards (Ruwitch, 2014). Crucially, it is overwhelmingly *these* confrontations that have sparked diplomatic crises, not *military* clashes: from 1989-2010, there were 380 such incidents, involving 750 Chinese vessels

(Zhang, 2012: 1). Trawlers paid by the Hainanese government also accompanied the CNPC rig placed in Vietnamese waters in spring 2014 (Ruwitch, 2014).

Recurrent crises in the SCS thus reflect the transformation and partial internationalisation of the Chinese state. Agencies 'originally established to implement domestic policies... now play a foreign policy role. They have almost no knowledge of the diplomatic landscape and little interest in promoting the national foreign policy agenda', and since they 'enjoy significant autonomy', the MFA struggles to rein them in (ICG, 2012: 14). This explains why Chinese policy is 'consistently inconsistent', displaying 'an almost incomprehensible level of unpredictability' and 'lack of any discernible strategy' (Santicola, 2014) – not a sinister 'grand strategy' of phased expansion, as many surmise. This suggests an important corrective to IR approaches that treat rising powers as coherent strategic actors, particularly realist perspectives. Clearly, however, the consequences of state fragmentation are potentially very dangerous, which also qualifies more optimistic liberal and constructivist accounts. The risks are seemingly recognised by the Chinese government itself, which has recently attempted to centralise policy control under the MFA and reduce the number of agencies involved. However, this has apparently failed because the latter 'do not want to relinquish their power' (ICG, 2012: 32-36, 18).

*Managing Transboundary Interests*

A second important aspect of China's rise is its growing efforts to manage the transboundary interests acquired through the transnationalisation of economic production and growing interdependence. This particularly reflects the exponential growth of Chinese foreign direct investment – from $4.5bn in 1990 to $613.6bn in 2013 – under its 'going out' strategy (UNCTAD, 2014).[3] In a significant departure from China's supposed commitment to Westphalian sovereignty and non-interference, as China's economy expands beyond its borders, so does the governance frontier of its state apparatuses, particularly at the subnational level. Chinese agencies and SOEs seek to reshape domestic governance within other states in line with their, often divergent, interests. However, these efforts remain shaped by the broader dynamics of state transformation described above, and socio-political conflict in target countries. We demonstrate this with reference to Chinese engagement in the Greater Mekong Subregion (GMS), a transnational integration project that includes China, Vietnam, Laos, Cambodia, Myanmar and Thailand.

The GMS, although initially conceived by the Asian Development Bank, soon became dominated by powerful Thai and Chinese economic interests (Glassman, 2010). It facilitated the Chinese government's strategies to develop China's poor, non-coastal regions by fostering transnational economic ties with neighbouring economies. The GMS has involved the substantial 'rescaling' of Chinese state apparatuses, constructing a complex, regionalised mode of multilevel governance (Su, 2012a). Although central government authorities  like the MFA, MOF and the NDRC, conclude broad agreements with other GMS member-states, the detailed implementation is left to provincial governments, which are also GMS members: Yunnan province, which became China's main representative in 1992, and the Guangxi Zhuang Autonomous Region, which joined the GMS in 2005. They autonomously 'receive foreign investments, set up economic zones, manage border trade and sign contracts for border cooperation with neighbouring countries' (Colin, 2014: 112). They have thereby acquired important transboundary governance functions.

Rescaling has been driven primarily by provincial economic interests. Yunnanese SOEs and, to a lesser extent, private firms have invested heavily across the GMS, notably in hydropower, manufacturing, mining and agribusiness, reflecting 'the regionalisation of

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[3] Figures are at current US$ exchange rates, excluding Hong Kong and Macao.

Yunnanese capital' (Summers, 2013: 161-64).[4] Hydropower investments in Myanmar alone totalled $30bn by 2012. Exploiting national-level energy security concerns, the provincial government also joined with CNPC to lobby successfully for a $5.3bn oil and gas pipeline from Myanmar's western coast to Yunnan, which came online in 2014, thereby positioning itself as a key base for China's petrochemicals industry (Steinberg and Fan, 2013: 180-181; Su, 2014: 100-102). To facilitate trade and investment, Yunnan has also promoted extensive transboundary transport infrastructure development, opening the Mekong River to large-scale shipping and constructing extensive road and rail links. All this represents a transboundary extrusion of China's economy – reflected, for example, in the RMB's use up to 300km inside neighbouring countries (Steinberg and Fan, 2013: 245).

As Chinese agencies seek to manage intensifying transboundary ties, their 'governance frontier' has extended into the GMS. Yunnan has worked intensively with national and subnational governments in neighbouring countries to promote regulatory changes beneficial to Yunnanese investors, including transborder special economic zones (Summers, 2013). The need to safeguard Chinese shipping on the Mekong against piracy led Beijing to conclude an agreement for joint river patrols with Myanmar, Laos and Thailand in December 2011. This is implemented by the Yunnan Border Police's new Waters Division, which now leads anti-piracy efforts on the Mekong, hosting a combined operations centre in Guanlei where it coordinates day-to-day operations, and training and equipping its Myanmar and Laotian counterparts (Hu, 2013). From April to June 2013 alone, 2,500 arrests were made and drugs worth US$400m were seized, plus weapons and ammunition (Storey, 2013).

As this initiative shows, Yunnan's governance frontier has extended to manage the negative side-effects of its extensive economic transnationalisation, which include transboundary crime and drug and people trafficking. As borders have become more permeable, narcotics from the Golden Triangle have swamped southern China, creating an HIV epidemic. Yunnan has consequently worked closely with the United Nations Office on Drugs and Crime to train Myanmar and Laotian counter-narcotics police, launching 107 joint, cross-border operations against drug traffickers from 2002-2005 (Li and Zheng, 2009: 634). Yunnan also successfully lobbied Beijing to initiate a massive opium substitution campaign in Myanmar and Laos in 2006. Under this scheme, Yunnanese technicians have made over 3,000 visits, training over 1,000 foreign counterparts (Sheng, 2006: 112). The scheme also provided incentives for Yunnanese agribusinesses, who consequently invested over RMB1bn in alternative plantation agriculture, covering up to 410,000 hectares (Su, 2013: 2; Sheng, 2006: 112).

As with the SCS, this aspect of China's 'rise' is experienced *within* neighbouring societies, which in turn creates difficulties within China. Yunnan's ferocious promotion of local business interests often creates serious socio-economic dislocation abroad. Extensive Chinese investment causes rising social conflict and Sinophobia in Myanmar, for example. Yunnanese opium substitution investments have encouraged violent land grabs and undermined subsistence strategies in Myanmar, severely compromising the programme (ICG, 2009: 41). Similarly, while Beijing has supported the Myanmar regime's bans on border trade in logs and gems to cut off revenues to anti-government rebels, Yunnan has sought to defend the trade. This sparked conflict between Yangon and Beijing, which is held accountable for Yunnan's free-wheeling policies (Li and Lye, 2009: 266; ICG, 2009: 25-26, 40-41). National-level agencies have had to become increasingly involved in Myanmar's internal affairs to mitigate problems caused by Yunnan and safeguard Chinese interests. For example, after Kachin forces resumed armed struggle against Yangon in 2009 – partly to protest rapacious

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[4] Yunnan has also received extensive investment from richer Chinese provinces due to its 'gateway' role, illustrating how internationalisation can serve specific domestic interests (Glassman, 2010; Summers, 2013).

resource extraction in the borderlands – Beijing promoted peace talks to mitigate cross-border refugee movements and the threat to its oil and gas pipeline (ICG, 2013). As Zhao (2011: 262) notes, 'the central government is willing to take some tough measures... But [its] stance does not necessarily coincide wholly with the interests of local governments.'

**Conclusion**

This article has argued that proper analysis of rising powers requires attention to the changing nature of statehood. Today's rising powers are not the Weberian-Westphalian states of old, or of much IR theorising. Rather, reflecting epochal shifts in the global political economy since the 1970s, they are increasingly disaggregated, decentralised and internationalised. Consequently, different parts of rising powers' states may pursue divergent or contradictory agendas, with outcomes reflecting disorganisation and conflict, not grand strategy. Different state and business interests may be unevenly integrated into international economic, diplomatic and institutional circuits, deepening these contradictions. And as transnational interests deepen, so too do rising powers' interests in managing transboundary flows, threats and risks by extending their governance frontiers. We demonstrated these arguments using the case of China, traditionally considered a classic 'Westphalian' state but in reality a complex, multilevel governance system riven by contending interests. Struggles between national level agencies and SOEs, and between national and local administrations, generate conflicting policies in areas like the SCS. What may look like sinister expansionism in the Pacific really reflects state-linked businesses jostling for markets. Provincial governments are driving China's overseas economic expansion, promoting governance arrangements to suit. Their sometimes predatory policies are also forcing them, and national-level agencies, to extend their reach beyond China's borders to manage their negative consequences.

This perspective has implications for IR discussions of China's rise. China's internal disarray and struggles clearly generate quite incoherent, conflict-ridden outcomes. This may help explain why even proponents of the same IR theory can identify supporting evidence for both pessimistic and optimistic accounts of China's rise. The sheer volume of debates suggests that merely trying to pile up more evidence on one side than the other cannot generate consensus. The contrasting evidence instead reflects a dynamic wrongly being ignored by IR theory – state transformation. Once we attend to this, outcomes appear far more contingent and issue specific, depending on the actors and interests involved. This does not mean, for example, that pessimistic realists are necessarily wrong that Chinese behaviour in the SCS is threatening and destabilising – it clearly is. But this is not because 'China' is pursuing some monolithic, expansionist 'grand strategy' in line with its growing power resources; rather, it reflects internal conflicts among disaggregated state and semi-private actors. Similarly, liberals, constructivists and English Scholars are not necessarily wrong in claiming that some Chinese agencies are now heavily involved in international governance; but they should recognise that others are not, and that long-run outcomes depend on struggles between contending agents and visions. Nor is such internationalisation necessarily inherently 'liberal' in content; frequently, it is not, and can often prompt a backlash that erodes China's so-called 'soft power'. To generate more accurate analyses and predictions, IR scholars must incorporate the conflict-ridden dynamics of state transformation into their theoretical approaches.

Our argument also has implications for practitioners. It suggests that traditional diplomatic practices, which focus on interactions between foreign ministries, are insufficient to inform policies towards China, and possibly other rising powers. The MFA is simply not in control of Chinese foreign policy; it is just one actor among many. It is not even necessarily aware of what other national and subnational agencies and SOEs are doing in China's name,

and may simply concoct *post-hoc* rationalisations of their conduct. Some western policymakers apparently recognise this already. For instance, in 2009, ships controlled by China's Ministry of Agriculture and one naval vessel harassed the USNS *Impeccable*, sparking an international incident. The MFA denied the presence of the naval ship, but photographic evidence proved its presence. US diplomats recognised that the MFA was simply ignorant of the navy's involvement and played down the event (Wikileaks, 2009). Similarly, a former US diplomat recognises the prevalence of accidental crises in the SCS, recalling frequent Sino-US cooperation to 'untangle the mess'. Nonetheless, against all the evidence, he proceeds to suggest more recent actions are a 'carefully choreographed' part of a sinister grand strategy (Campbell, 2014). This suggests that recognition of rising powers' internal disarray and its consequences is partial, and possibly overwhelmed by political pressures to validate a forceful response. This risks severe misinterpretation of events and disproportionate policy responses that could precipitate serious international conflict. If diplomatic services are serious about avoiding this, they should incorporate our insights into their work. They should broaden their contacts, data-gathering and analysis to a far wider range of actors and interpret rising powers' behaviour not as monolithic but as reflecting internal disaggregation and conflict. They need to identify and support those interests most amenable to peaceful cooperation. And they should help educate their own policymakers and publics about the realities on the ground.

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