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Paradiplomacy as a provincial state-building project: The case of Yunnan's relations with the Greater Mekong Subregion

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**Paradiplomacy as a Provincial State Building Project: The Case of Yunnan's Relations
with the Greater Mekong Subregion**

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ABSTRACT

This article examines Yunnan's relations with the Greater Mekong Subregion (GMS) countries grouped in the Asian Development Bank's (ADB) GMS Programme. While locating the analysis in the context of paradiplomacy, this article makes two claims. First, it argues that—unlike subnational governments in federal states—Yunnanese authorities do not use domestic opportunity structures to develop the province's international agency. Instead, they pursue paradiplomacy as a subnational state building project, designed to extract economic assistance from the central state. Second, it asserts that—unlike other Westphalian states—the Chinese government has recognized the benefits of paradiplomacy as a way to enhance the structural competitiveness of its borderland provinces in the regional economy. In doing so, it has proactively deployed provincial authorities in the multi-level governance of the GMS Programme. At the same time, the central government has remained at the centre of Yunnan's external relations through the provision of funding and preferential policies for Yunnan's internal and external economic projects, and defining the parameters of Yunnan's cooperation with the GMS countries and the ADB.

KEY WORDS

Yunnan, China, paradiplomacy, Greater Mekong Subregion, state building

Only recently has English-language scholarship recognized the diversity of foreign policy actors—within and beyond the Chinese Communist Party (CCP), the government and the military—which influence and often shape Chinese diplomacy (Jakobson and Knox 2010; Breslin 2013). Among these newly recognized actors, Chinese provinces have received increasingly more attention. Yet, their paradiplomacy¹, defined as subnational involvement (independently of or in concert with the central government) in international relations in pursuit of specific interests, whether economic, political or ideational, remains poorly understood. Some scholars either deny Chinese provinces’ engagement in defence or foreign policy issues (Zheng 2007, 66) or consider them of marginal importance (Jakobson and Knox 2010, 32). Others go so far as to suggest that provinces’ international linkages signify the declining relevance of national political boundaries for economic change (Breslin 2000, 205-6) or transform one China into ‘many Chinese parts facing various worlds’ (Womack 2009, 7).

Sporadic studies examining—often implicitly—Chinese subnational paradiplomacy consider Chinese provinces as either agents or partners of the central government. Those denying provincial ‘actorness’ focus either on Beijing’s instrumental use of provinces as agents to further its own particular geostrategic objectives in selected (primarily neighbouring) regions or on economic benefits provinces derive from China’s relations with neighbouring economies (Dosch and Hensengerth 2005, 274-5; Cheng 2013, 328; Zhang and Tang 2005, 52-53; Zhao 2010, 374; Chen and Stone 2013; Summers 2013, 177-197). Others acknowledge provinces’ economic self-interest in engaging in foreign relations, yet classify them as the central government’s junior partners, delegated to implement Beijing’s regional (mostly economic) strategies or requiring Beijing’s consent for their external activities (Su 2010; Xiong and Wen, 2009, 23; Harris 2002).

Still others insist on a symbiotic central-subnational state relationship: Provinces act as the central government's pro-active partners on foreign policy issues and exploit opportunities created by Chinese diplomacy to maximize their economic interests. In turn, the central state creates space for provincial external relations by tasking subnational government with duties to promote relations with neighbouring countries (Cheung and Tang 2001). Calling it 'the central-local alliance' (Su, 2013a: 1217), Su (2012a; 2012b: 1329) suggests that Beijing deliberately de-emphasizes its centralized power structure to create a 'networked regional governance' to facilitate provincial development (of Yunnan) by integrating it into a transnational economy (Southeast Asia). For Chen et al. (2010, 335), the rise of local and subnational foreign policy actors in China indicates the (re)emergence of a new multi-layered foreign policy system in China.

This article argues that both the motivations driving provincial foreign relations and central-provincial partnerships on foreign policy issues are a lot more complex than thus far assumed. At the core of this argument is that central-provincial collaboration on foreign policy issues creates new forms of influence and instruments, which enable provinces to lay claim to domestic political and economic resources and opportunities, while at the same time carving out an international identity. In short, the participation in external relations—underpinned by central-substate coordination—allows provinces to carry out specific political and economic projects internally as well as externally that contribute to a process of provincial state building. Provincial state building is defined here not in terms of institutional or legal restructuring, but as a market-building, developmentalist undertaking pursued by the provincial leadership in 'productivity coalitions' with national and subnational political and social interests in the domestic and international spheres (Sbragia 2000). It is this dynamic involving

developmentalist economic project at the subnational level and its ostensibly international dimension that this paper considers as the defining feature of Chinese paradiplomacy.

More specifically, this article focuses on Yunnan, China's Southwestern province, and its relations with the countries grouped in the Greater Mekong Subregion (GMS), namely, Cambodia, Laos, Myanmar, Vietnam and Thailand. In 1992, the Asian Development Bank (ADB) involved Yunnan and these five riparian countries in a GMS Economic Cooperation Programme, with the ostensible aim of facilitating cross-border trade and investment, and enhancing the connectivity and competitiveness of regional economies (OPE-ADB 2008, 1). To date, the ADB's GMS Programme represents one of the best documented case studies of Chinese provincial involvement in a cross-border cooperative framework.

While locating Yunnan's relations with the GMS in the context of paradiplomacy, this article makes two specific claims. First, it argues that the Yunnanese authorities do not use domestic opportunity structures to build the province's international agency. Instead, they construct—via a pro-active engagement with various GMS projects—Yunnan's international agency in order to exploit domestic opportunities for economic growth. In other words, Yunnan's paradiplomacy represents primarily an inward-looking political exercise, in which context developing an international presence is a tactical decision designed to differentiate Yunnan from other equally under-developed and capital-starved provinces in Western China. Capitalizing on its designation as China's 'land bridge' (陆路桥梁) to Southeast Asia, the Yunnanese authorities seek to gain access to primarily inward investments from the central government in order to build domestic and international markets through the development of provincial infrastructure and win Beijing's preferential policies facilitating the profitability of Yunnanese businesses in the GMS. In the process of doing so, they make Yunnan useful to the

central government as both an agent *and* partner in Chinese multi-level governance of the GMS Programme and (more broadly) China's relations with Southeast Asia.

Second, this article also reflects more generally on the Chinese Westphalian state's regional strategies in the era of globalization. It argues that Yunnan's paradiplomacy affirms the central state's sovereignty, rather than the withering or weakening of the Chinese state. While deploying provincial authorities in the multi-level governance of the GMS Programme, the Chinese government has remained firmly at the centre of the Programme, not only by providing funding and devising preferential policies for Yunnan's internal and external economic projects, but also by defining the parameters of Yunnan's cooperation with the ADB in particular and paradiplomacy in general. Therefore, far from losing their monopoly of external action, Chinese central ministries have recognized economic interdependence as an opportunity rather than a vulnerability. They have pro-actively shaped the GMS Programme and supported the provincial construction of transportation and communications in order to develop Yunnan's international networks and facilitate its adaptation to new socio-economic forces and actors in the Greater Mekong Subregion.

More broadly, this article contributes to the contemporary understanding of paradiplomacy as practiced by subnational units in unitary, Westphalian states. Thus far, paradiplomacy scholarship has focused primarily on federal, post-modern states, where constituent governments—in response to globalization—search for cooperative contacts and compacts beyond national borders in order to either claim institutional autonomy or secure economic, cultural or ideational opportunities abroad. Central governments, for their part, either embrace paradiplomacy as an element in their multifaceted diplomacy at both domestic and international levels or seek to contain paradiplomacy, considering it as a challenge to their authority on

foreign policy matters. This article demonstrates that globalization prompts both central and substates—rather than merely substates—to construct new partnerships in the diplomatic arena to prepare constituent economies for an increasingly more competitive regional and global economic environment. In the context of this partnership, the central state does not lose its authority on foreign policy issues, while the provincial state—rather than primarily seeking foreign capital and export markets—manipulates the processes of cross-border cooperation to lobby the central government for preferential policy treatment in order to maximize its particular local interests. Thus, domestic political economy perspectives must supplement an international system-level analysis in order to fully account for the dynamics behind the foreign relations of Chinese provinces as examples of a unitary Westphalian state’s subnational actors.

This paper begins with a critical examination of the paradiplomacy scholarship in order to demonstrate the extent to which the Chinese central-substate partnership on foreign policy issues departs from the prevailing patterns thus far observed by paradiplomacy scholars. The next section surveys the known features of Chinese paradiplomacy in order to provide a necessary background to Section 3 on the nature of central-substate coordination on the GMS Programme and Section 4 on the extent of Yunnan’s engagement in the GMS programme and its relations with the GMS countries. Section 5 develops the argument regarding Yunnan’s paradiplomatic strategy as a provincial state building project. Finally, the conclusion explores the implications of this study for paradiplomacy as practiced by unitary, Westphalian states.

The Politics of Subnational Foreign Relations

Classical and structural Realism have anthropomorphized the state as a unitary rational actor operating in an anarchic setting, in which the government speaks on behalf of all of its

component parts with one legitimate voice (Morgenthau 1997, 5; Waltz 1986, 338-339). Literature on diplomacy has similarly assumed states to be ‘natural’ and bounded containers for political activity, interaction among which represents ‘high politics’ as an exclusive realm reserved for territorial units mutually recognizing one another as sovereign states (McConnel, Moreau and Dittmer 2012, 804). The classical notion of state sovereignty has partly informed this unitary actor approach by acting as an organizing principle differentiating principal actors in the international arena (namely, sovereign states) from other territorial and non-territorial entities.

In the 1980s, an increasing awareness of globalization raised doubts among some scholars about the states’ capacity to independently control transborder movements of people, goods, capital, ideas, or their centrality to transnational companies (Strange 1996, 1999; Camilleri and Falk 1992, 4-6). Although Institutional Liberals have considered state sovereignty as a constitutive principle of the international system and an ‘institutional’ fact (Keohane 1984, 25; 2003, 148), they have suggested that economic interdependence and states’ decreased capacities to insulate themselves from transnational forces challenged the classical notion of state sovereignty. While Westphalian states resisted globalization by jealously guarding their domestic and international autonomy, post-modern states (Sorensen 1999) considered sovereignty not as a ‘territorially defined barrier’, but as a ‘bargaining resource for a politics characterized by complex transnational networks’ (Keohane 2003, 155). Post-modern states established supranational authority structures that regulated activities beyond the control of any single state (Krasner 2001, 9). In doing so, they departed from a model of a single authority governing each territory and representing it outside its borders. Susan Strange (1996) called it the ‘retreat of the state’. It is in this context that the first studies of subnational—a.k.a. parallel (para)—diplomacy emerged in the 1980s.

Scholars of paradiplomacy, while agreeing with Liberal analyses of globalization, focused on the states' declining capacity for 'territorial management' (Keating 1999, 2-3). In his pioneering study, Duchacek (1984, 8&11) characterised central governments as not only 'rather ignorant or neglectful of the borderlands' interests and needs', but also no longer capable of supporting subnational welfare and economies. As a result, subnational units—aware of 'universal interdependence'—had to turn to the outside world for investments and export markets in order to maintain their economic wellbeing (Duchacek 1984, 8&15). Numerous scholars broadly agreed with Duchacek (Fry 1988, 63-4; Soldatos and Michelmann 1992, 132). More recently Cornago (2010, 18), Michelmann (2009a, 3), Criekemans and Duran (2010, 39), for example, asserted that by removing the barriers to trade and investments and, thereby, affecting local communities and their autonomy, globalization prompted substate governments to become players on the international stage and compete internationally in order to 'recuperate some of the influence which they lost as a result of globalization'.

Subnational units' foreign relations—Duchacek (1988, 5) argued—signified both respect and disrespect for sovereign boundaries. As subnational units either attempted to influence national foreign policy decision-making through domestic political channels or by-passed central governments by seeking trans-sovereign contacts with foreign (national or constituent) governments, they potentially challenged—to borrow from Krasner's typology [1999, 3-4]—domestic sovereignty, namely, the organization of political authority within a state and state authorities' control of the polity. Blatter (2001, 176) called it 'debordering the world of states'. In such cases, when foreign governments sought relations with subnational actors of other countries, those countries' Westphalian sovereignty (namely, the exclusion of external actors, *de facto* or *de jure*, from domestic authority structures) was potentially at stake as well. The

paradiplomacy scholarship features no consensus on the central states' responses to substates' projections into the international scene. Some argue that all central governments seek to limit and control substates' foreign activism (Fry 2009, 312; Keating 1999, 12-13; Lecours 2002, 95; Tierney 2005, 171). Others, however, note central governments' varied responses to paradiplomacy that reflect the Liberal distinction between Westphalian and post-modern states. Thus, Westphalian states (such as India and Malaysia) vigorously suppress any manifestation of the constituent governments' foreign relations (Jenkins 2003; Mattoo and Jacob 2009; Loh 2009). Post-modern states (including Canada, the United States, Belgium, Japan and, more recently, Brazil and the pre-Putin Russian Federation), for their part, 'learned to live with the new roles regions assert[ed] for themselves' (Aldecoa and Keating 1999, 7). At the most extreme end (e.g., in Belgium, Germany and Austria), central governments granted constituent governments significant foreign policy competences (Lecours 2002, 102; Cornago 2010, 17&30; Michelmann 2009b, 332; Borzel 2002, 1-2). In most cases, they either established formal mechanisms to coordinate subnational foreign engagement with national policies or appeared (reluctantly) tolerant and benignly cooperative (Duchacek 1984, 10; Kincaid 1999, 132; Balthazar 1999; Kukucha 2004; Van den Brande 2010; McMillan 2012; Jain 2005; Twomey 2009).

Paradiplomacy studies have focused primarily on post-modern federal states, in which subnational units pro-actively engaged in foreign relations. They largely ignore unitary Westphalian states, chief among them China, which is conventionally characterised as a 'conservative power' with a 'rather traditional' approach to sovereignty that seeks to 'reaffirm sovereignty and internal autonomy against challenges from evolving concepts of human rights, domestic governance, and humanitarian intervention' (Johnston 2003, 14-15; Kang 2007, 79; Buzan 2010, 14). Beijing's alleged attachment to the classical conception of Westphalia and

its aversion to ‘the very notion of genuine international interdependence’ (Segal 1999, 33) might suggest its opposition to any form of provincial paradiplomacy. Yet, this is not the case. Even broader paradiplomacy scholarship acknowledges the existence of Chinese paradiplomacy (Wolff 2007; Cornago 2010; McMillan 2012). While most certainly not the most active actors in the world of subnational foreign relations—as Cornago declares (2010, 24)—Chinese provinces are neither ‘new foreign policy actors’ nor ‘on the margins’ of Chinese foreign policy. The section below discusses the known extent of their post-1949 involvement in China’s foreign relations.

Chinese Provinces’ Paradiplomacy: What Do We Know?

Formally a ‘unitary, multi-national state’, contemporary China is divided into 33 subnational units, including 22 provinces, 5 autonomous regions, four municipalities and two special administrative regions. Successive PRC constitutions have empowered the State Council to ‘conduct foreign affairs and conclude treaties and agreements with foreign states’ (Article 89 of the 1982 Constitution) and made no mention of foreign affairs when listing the administrative prerogatives of local authorities (Articles 107 and 119). And, yet, the PRC regime did involve subnational actors in foreign policy matters via provincial-level Foreign Affairs Offices (FAO), People’s Friendship Associations, Overseas Chinese Affairs Offices, Taiwan Affairs Offices and Propaganda Departments of the United Front Work Department. In the Mao era, some of this involvement was ceremonial: provincial leaders hosted foreign ambassadors and dignitaries, with whom they discussed questions of global or regional importance or, since 1972, forged friendship city relationships (Jersild 2014, 143; Chen et al., 2010, 347). Occasionally, provincial involvement became more substantial. They partially bankrolled China’s war effort in Korea and Vietnam, as well as border conflicts with India, the

Soviet Union and Vietnam (Cheung and Tang 2001, 101&106). They also played a role in China's informal diplomacy (Jain 2005, 75-6).

During the reform period, Chinese provinces continued to receive foreign guests, cultivate friendly relations with foreign cities and provinces, oversee border exchanges, host international conferences and world events and, on rare occasions, perform sensitive diplomatic tasks (Cheung and Tang, 2001: 105-106; Chen et al., 2010: 347; Cheng 2010, 411). Gradually, however, their external activities became equally (if not more) concerned with promoting provincial exports, seeking foreign direct investments (FDI) and supervising foreign-invested enterprises (Cheung and Tang 2001, 99, 101). These overseas economic activities are the main reason behind the emerging scholarship on Chinese provinces as subnational foreign policy actors (Segal 2002).

Chinese provincial interest and—more importantly—capacity to engage in economic relations with foreign countries and territories resulted from two strategies introduced by the Deng Xiaoping regime in the early 1980s, namely, fiscal decentralization and export-led development. The former stimulated provinces' fiscal resourcefulness by allowing them to keep a proportion of their income (Zhao and Zhang 1999, 257). While benefiting primarily coastal provinces (Zhao and Zhang, 1999, 270), it turned provinces into semi-autonomous decision-makers dependent on their own revenues (Li and Wu 2012, 56), and competing with the central government over direct control for local economic resources and greater regulatory powers (Li 2010). The 'open door policy' complemented fiscal decentralization by channelling a disproportionate share of FDI to coastal provinces (Ho and Li 2008, 256; Li and Wu 2012, 65). The central government also allocated most of its domestic investments in the coastal areas (Zhao and Zhang 1999, 269). Regionally-biased fiscal investments, FDI and decentralization

led to the sharply widening wealth gap between the coast and the inland, which neither the 1994 fiscal reform nor the post-1999 Western Development Programme managed to bridge (Zhao and Zhang 1999; Sheng 2009, 78; Ho and Li 2008, 257).

As chief beneficiaries of Beijing's preferential policies, the coastal provinces became the engine of China's economic growth in general and Chinese exports in particular. They also appeared on the forefront of seeking economic connections with foreign countries. In the 1980s, for example, Liaoning and Shandong competed for contacts with South Korea (Cheung and Tang 2001, 117; Breslin 2000, 221), while Liaoning, Jilin and Heilongjiang floated the Tumen River project. A decade later, China, both Koreas, Mongolia and Russia endorsed the Tumen River project. However, their mutual suspicions eventually led its ultimate failure (Breslin 2000, 220-221; Cheung and Tang 2001, 117-8; Christoffersen 2010, 63).

Not all regional projects have been driven by bottom-up processes. In 2009, for example, China and Russia agreed to inter-regional cooperation, featuring economic integration between Russia's Far East and China's Northeastern provinces (Mkheev 2011, 80-81). Two other examples include the GMS Programme and the Central Asia Regional Economic Cooperation (CAREC). The ADB initiated and partially funded both, while Beijing designated two Western, land-locked provinces as China's participating subnational actors: Yunnan (in China's Southwest) in the GMS and Xinjiang Uighur Autonomous Region (in China's Northwest) in the CAREC.

The GMS and Chinese Central-Substate Coordination

Arguably, Yunnan did not need the ADB to interact with the three GMS member-states with which it shares a 4,060 km border: Myanmar in the West, Laos and Vietnam to the South. Culturally and ethnically, ten of Yunnan's twenty five ethnic groups maintained close ties with their brethren in the other Mekong riparian countries (Hinton 1998, 10; Chen 2005, 203; Lu 2013, 103). Economically, the interaction between Southeast Asia and the territories now associated with Yunnan—first as a trading frontier on the Southern Silk road—dates back to the 2nd century BCE (Bin 2009, 33-34). Since the late 18th century, Yunnan also actively engaged in trade with Siam (Chen 2005, 201-202). In the 19th century, the British and the French—attracted by Yunnan's tin, copper and coal and its location as a trading route to China—expanded Burma's and Indochina's trade with Yunnan, symbolized by the Hanoi-Haiphong-Kunming railway completed in 1910. Yunnan became geostrategically significant during the early period of the Second World War, when its connection to British-occupied Burma via the Burma Road proved central to China's war effort (Glassman 2010, 107). During the Mao era, war-torn Indochina turned Yunnan into a war frontier province and stalled its economic and cultural exchanges with the neighbouring countries. It was only in 1984 that Beijing allowed Yunnan to restart border trade with Myanmar and Laos (Summers 2013, 149). The Chinese government found Yunnan's proximity to Myanmar convenient, when in 1989 it sent Yunnan's Governor Ye Zhiqiang to Yangon to express—in a low-key fashion—its commitment to friendship with Myanmar irrespective of the 1988 military coup (Cheng 2010, 411).

Yunnan's belated resumption of trading relations with its neighbours only accentuated its failure to benefit from China's economic growth. In 1991, despite its size (China's 8th largest) and population (China's 12th most populous), Yunnan ranked 18th in terms of its GDP among the then 30 subnational units. In terms of GDP per capita, it ranked even lower at 26. A year

later, it registered only 249 foreign-invested enterprises (rank 25), while Guangdong counted over 26,000 (rank 1). In terms of FDI funds, Yunnan attracted about US\$8 million (0.006 percent of all FDI in China), which placed it at the second last position (ahead of Qinghai) among all Chinese subnational units. From 1989 to 1992, only 0.2 percent of all FDI flows to China ended up in Yunnan (against Guangdong's 37.7 percent) (Zhao 1996, 147). Yunnan's relative economic underdevelopment, which is particularly pronounced in the areas populated by the ethnic minorities that in the past rebelled against Chinese imperial and communist regimes (Guo 2008, 223-230), could explain Yunnanese officials' early excitement about the GMS project: the ADB-sponsored programme held promise of injecting badly needed funds into provincial infrastructure development and linking the province to the economies of the entire GMS. Chen et al. (2010, 350) suggest that, in the early 1990s, the Chinese central government's interest in the GMS project was at best lukewarm, while Swain (2002, 199) mentions Beijing's concerns that the economic pull of Southeast Asia could enhance Yunnan's 'independence from the centre'. It was Yunnan's enthusiasm—manifested during the first GMS conference held in Manila in December 1992, where the provincial government emphasized transport infrastructure as a precursor to economic development—that allegedly prevailed (Chen et al. 2010, 350; Chen 2011, 192). Coinciding with the formation of the GMS in 1992, Yunnan chartered an ambitious road development programme, established its first border economic zone and, a year later, initiated a Kunming Import and Export Commodities Fair, which Southeast and South Asian traders attended.

From Beijing's perspective, however, Yunnan's economic needs might not have topped its GMS agenda. In the early 1990s, the GMS countries could neither be a source of FDI, nor absorb Yunnan's exports, nor supply Yunnan with entrepreneurial skills. Geostrategically, however, the GMS offered some benefits, chief among which was its possible contribution to

the restoration of China's good-neighbourly relations with Laos and Vietnam and countering the post-Tiananmen diplomatic isolation of China. Yet, China's fast growing cooperation with the Association of Southeast Asian Nations (ASEAN) quickly eclipsed the ADB's GMS project, which developed at a snail pace throughout the 1990s. By 2000, ASEAN included all GMS countries, while China became ASEAN's dialogue partner, joined ASEAN-Mekong Basin Development Cooperation (which aims paralleled those of the GMS programme) and was about to conclude a free trade agreement with ASEAN. In this context, the GMS Programme was *one of many* platforms featuring China's multifaceted engagement with the Mekong basin countries.

Unfortunately for Kunming, its engagement with the GMS economies depended on Beijing's active support. While formally a member, Yunnan could not sign any intra-GMS agreements because it lacked sovereignty. Its leaders could not head delegations to either annual GMS ministerial conferences or (since 2002) to the triennial GMS summits. Yunnan's officials did participate in these key meetings, but in advisory positions as members of the Chinese state delegation.

Domestically, the central state also appeared indispensable. In 1994, the State Council established the National Lancang-Mekong Regional Development Preliminary Research and Coordination Group (National LM Coordination Group) as the key agency responsible for formulating master plans, coordinating activities of various domestic—at the central and provincial levels—actors and co-preparing the country report on the GMS Programme (Xiong and Wen 2009, 14). China's former central planning agency, the National Development and Reform Commission (NDRC), leads the National LM Coordination Group, which also includes the Ministry of Foreign Affairs (MFA), the Ministry of Finance (MOF), the Yunnan provincial

government (as deputy leaders) and several other ministries. In practice, however, it is the MOF that communicates with the ADB, receives the grants, submits proposals and prepares China's participation in ministerial conferences and other senior meetings, while the NDRC acts as an internal coordinator (Xiong and Wen 2009, 14). The Yunnan provincial government established its equivalent of the National LM Coordination Group—the Yunnan Lancang-Mekong Coordination Group (headed by the governor)—only in late 2002 (Xiong and Wen 2009, 15). Its role, however, has been at best peripheral. Central-provincial coordination on specific issues takes place via working sessions held by the MOF and NDRC in Beijing, as well as between particular central ministries and their subordinated departments at the provincial level, which implement the central government's directives.

The central state in particular demonstrated its centrality to Yunnan's involvement in the GMS Programme after its approval—at the 8th GMS Ministerial Conference in 1998—of the concept of economic corridors (OPE-ADB 2008, 69) and accession to the Cross-Border Transport Agreement (CBTA) in 2002. The former formed the nucleus of the GMS's three Cs: enhanced connectivity, increased competitiveness and improved sense of community, while the latter aimed at developing a uniform system enabling freer and faster movement of people, vehicles and transit goods across GMS borders. Beijing was particularly interested in developing the Northern Economic Corridor (linking Yunnan with Laos and Thailand), which in the GMS transport strategy for 2006-2015 expanded to include three routes: the Western, Central and Eastern Subcorridors, linking Yunnan (and, since 2005, Guangxi) with all GMS economies. The CBTA was to reduce border crossing costs and time along all economic corridors (Banomyong 2008, 52; Fujimura 2008, 33), thereby facilitating Yunnan's trade, investments and tourist exchanges with the GMS countries. By early 2008, Beijing not only completed the CBTA ratification process, but also signed the necessary memorandums of understanding with

Vietnam and Laos to implement CBTA at selected border crossings (NDRC et al. 2008; NDRC et al. 2011). When the Laotian government could not build the Houayxay-Chiang Khong Bridge along the Kunming-Bangkok Highway, which prevented the Northern Corridor from delivering expected economic benefits for Yunnanese traders, the Chinese MOF financed 50 percent of the bridge's construction (ADB 2007).

Yunnan's Relations with the GMS

Just like other provincial-level officials, Yunnan's party-state leaders could influence the central government via the National People's Congress, the National Party Congress, the CCP Central Committee and the China People's Political Consultative Conference (Jakobson and Knox 2010, 32). Yet, there is no evidence that Yunnan shaped decisions on GMS issues through these large forums. Excluded from the CCP's key decision making body, the Politburo, Yunnan's officials could not directly participate in the Chinese top leaders' deliberations the way provincial party leaders from economically more developed or politically more restive provinces or regions could (Sheng 2009, 80). Thus, the National LM Coordination Group was Yunnan's only access to the central-level decision making process, but even there its role was largely consultative.

Yunnan's relative absence from key decision making forums notwithstanding, Beijing—at least until 2005—repeatedly reassured Kunming that Yunnan constituted China's main province for intra-GMS cooperation and was China's key 'land bridge' to Southeast Asia (Chen 2011 183). For its part, Yunnanese leadership did not passively rely on the central government. It not only became pro-actively involved in all aspects of the GMS Programme, but also jealously guarded its position as 'the main province' for China's participation in the GMS

(Summers 2013, 105). It successfully lobbied Beijing to host the second GMS summit in 2005, as well as the sixth and twelfth ministerial conferences. In 2008, it co-sponsored (together with the Chinese Ministry of Commerce) the first GMS Economic Corridor Forum in Kunming, attended by 600 participants, including the GMS's state leaders, ministers of commerce, governors and mayors (Xiong and Wen 2009, 28). It initiated the Governors' Sub-Forum under the Economic Corridor Forum (Chen et al. 2010, 341), as well as hosted the GMS Economic Corridor Week (June 2009) and the GMS Investment and Project Promotion Conference (June 2010), which encouraged project cooperation between Chinese enterprises and enterprises of the other GMS countries (NDRC et al. 2011). The Yunnan Provincial Chamber of Commerce (with the support of the provincial government) turned into an important coordinator for Chinese state-owned enterprises (SOE), while the Yunnan Road Transport Association, Yunnan Transport Association and Yunnan Vegetable Association participated in specific sectoral meetings (Xiong and Wen 2009, 16&20).

Yunnan's provincial government also cultivated bilateral relations with selected GMS regions. In 2004, it established the Yunnan-Northern Laos Cooperation Working Team (involving nine provinces in Laos), the Economic Consultative Conference between the Five Cities of Yunnan Province and Vietnam (involving four Northern provincial cities in Vietnam) and the Yunnan-Northern Thailand Working Team (involving eight provinces in Northern Thailand). In 2007, the Provincial Chamber of Commerce formed the Yunnan-Myanmar Cooperation Business Forum. The Yunnanese authorities used these bilateral arrangements to facilitate trade, investment, tourism, transport and technological cooperation with subnational units within the GMS (Chen 2011, 184). Yunnan also directly participated in pan-regional projects, other than the GMS, including the ASEAN-Mekong Basin Development Cooperation, the Golden

Quadrangle Economic Cooperation and the Cooperation for the Sustainable Development of the Mekong River Basin (Chen 2011, 183-184).

Yunnan—via its FAO—manages relations with Cambodia, Laos, Myanmar, Thailand, Vietnam and Malaysia, which have all set up consular offices in Kunming. It also attends selected economic cooperation meetings hosted by particular GMS countries and exchanges high-level visits with GMS countries. In March 2009, for example, Yunnan Governor Qin Guangrong met the prime ministers/premiers of Myanmar, Laos, Vietnam, Cambodia and Thailand, and the general secretaries of ruling parties in Laos and Vietnam and Vietnam's president (Qin 2009).

Yunnan has promoted tourism cooperation with neighbouring GMS countries by opening new tourist routes, launching border tours, holding tourism festivals, and training tourism managers (NDRC et al. 2011). Its universities and colleges have established partnerships with other universities in the subregion and participated in setting up of Confucius Institutes and Chinese-language training classes throughout the subregion. They also expanded the enrolment of students from the GMS (the number of foreign students in Yunnan increased from 760 in 2001 to 8,000-10,000 in 2010 and over 20,000 two years later, 70-80 percent of whom came from Southeast Asia) (NDRC et al. 2011; MFA 2011; Chen and Stone 2013; Tang et al. 2011). Beijing's agreements on mutual degree recognition with Thailand (2007), the Philippines (2009) and Vietnam (2009); as well as a Chinese government scholarship programme for over 3,000 Southeast Asian students (Zeng et al. 2013, 338) has helped boost the number of GMS students in Yunnan. Yunnanese authorities hope to attract 100,000 foreign students by 2016 (Li et al. 2011).

Finally, Yunnan has also implemented some of China's aid projects in the subregion. Its demonstration farms in Vietnam, Cambodia, Laos and Myanmar showcase Chinese research in growing rice, soybeans and potatoes (NDRC et al. 2011), while Yunnanese companies built hotels and government offices in Cambodia, as well as the national stadium and the Lao National Cultural Palace (Summers 2013, 161-163; Zhu 2009, 76). The prospect of securing a greater slice of Beijing's foreign aid for the GMS economies (reportedly amounting to US\$7 billion by mid-2011 [Xinhua 2011]) prompted the Yunnan Construction Engineering Company to open offices in Cambodia and Laos.

Paradiplomacy as an Exercise in Subnational State Building

The purpose of Yunnan's paradiplomacy was not just to participate in international conferences or bilateral meetings with the heads of neighbouring countries or provinces. It was above all to facilitate Yunnan's economic development. Facing an 'extremely keen' inter-provincial competition for the central government's funding and preferential policies (Wang 2007, 101), the Yunnanese authorities turned Yunnan's designation as China's main gateway to the GMS into a vehicle differentiating Yunnan from other Western provinces and motivating Beijing to back Yunnan's economic modernization as both a recipient and exporter of capital. First, they enlisted the central state's financial support for provincial infrastructure projects as partly necessitated by pan-GMS projects. Moreover, due to Yunnan's proximity to the GMS and its familiarity of the GMS economies, Yunnanese companies supported the central government's 'going out' strategy by channelling Chinese state-owned and private capital into the resource-rich economies of Southeast Asia. Finally, by emphasizing its enhanced connectivity with GMS markets, Yunnan sought investments from overseas and China's coastal provinces.

Whether convinced that the GMS project offered relatively low geoeconomic value or apprehensive about Tokyo's alleged strategy to undermine China's influence in the GMS (Su 2012, 517), the Chinese central government limited the extent of the ADB's involvement in Yunnan's economy. As a result, the ADB played a relatively minor role in Yunnan's infrastructure development, having contributed less than US\$1 billion (OPE-ADB 2008, 63). It was the central and local governments that provided the lion share of funding, which by mid-2011 amounted to US\$38.5 billion (Li et al. 2011). In mid-2012, the Chinese MOT signed a partnership agreement with Yunnan's government to invest an additional US\$78 billion in 126 projects in order to transform the province into a transportation hub by 2015 (Toh 2012). By 2008, Beijing upgraded Yunnan's sections of the central line (Kunming-Hanoi-Haiphong), western line (Kunming-Laos-Bangkok) and eastern line of the North-South Economic Corridor (Kunming-Nanning-Hanoi) into expressways (NDRC et al. 2011). It also built the China-Myanmar-India Road (Kunming-Tengchong-Myitkyina-Ledo) (NDRC et al. 2011). Kunming became connected by expressways to the national capitals of neighbouring countries: Hanoi, Bangkok and Rangoon (OPE-ADB 2008, 73).

Beijing endorsed the idea of the Trans-Asian Railway and agreed—at the 16th GMS Ministerial Conference in 2009—to integrate the railway systems of GMS countries and complete at least one connecting railway route before 2020 (ADB 2010; Xinhua 2010). As a result, it financed, co-financed or continues funding all domestic sections—except Dali-Lijiang railway—of the planned Eastern, Central and Western lines of the Pan-Asia Railway in the national plans for railway construction (NDRC et al. 2011; Toh 2012). After reaching an agreement with Laos, Myanmar and Thailand on commercial navigation on the Mekong River in 2001 (Chen 2011, 185), the Chinese central government co-invested in rendering the section of the Mekong River from Jinghong to the 243rd monument on the China-Myanmar border suitable for transnational,

year-long navigation (NDRC et al. 2008; NDRC et al. 2011). Finally, Beijing financed the cost of the new Kunming airport (US\$3.6 billion, completed in mid-2012 and formally designated as a major aviation hub for western China), the expansion of the Dali airport (\$19 million) and the Guilin international airport improvement (\$12 million) (OPE-ADB 2008, 10; China Daily 2012).

By the mid-2000s, in response to Beijing's 'going out' strategy, Yunnan's government formulated a series of specific policies meant to facilitate provincial investments primarily in Cambodia, Laos, Myanmar and Vietnam (Chen 2011, 195). Subsequently, Yunnan-based state-owned and private companies began investing in GMS economies. Yunnanese SOEs—often as subsidiaries of Chinese industrial conglomerates—acted at the forefront of Chinese state capital's activities in the GMS. They appeared particularly active in funding and operating hydropower stations in the GMS, including the controversial Myitsone Dam project in Myanmar (Summers 2013, 161-163). Yunnanese SOEs also supplied equipment for selected hydropower plants (Fullbrook 2006; Lim 2009, 45) and invested in mining and construction sectors (Summers 2013, 161-163; Than 2005, 50). The Chinese state supported and protected these investments. When Myanmar's President Thein Sein abruptly shelved the US\$3.6 billion dam project, for example, Premier Wen Jiabao—to signal Beijing's displeasure—failed to attend the 4th GMS Summit held in Myanmar in December 2011 and the Chinese government slashed direct investments in Myanmar by 90 percent between 2011 and 2012 (Yun 2014; Tiezzi 2014).

Yunnan's smaller, private capital also expanded into the GMS, particularly in trade and agricultural sectors. Yunnanese businesspeople, for example, set up factories, stores and farms in Myanmar's cities such as Mandalay and Yangon (Lim 2009, 45). They planned to build

shopping centres and duty-free industrial districts for China-invested manufacturing ventures in Thailand (Chen 2005, 200; Pratuangkrai 2011; Glassman 2010, 129-130). More recently, the little known Yunnan Xiaoxiang Pan-Asia Investment Co. Ltd—allegedly acting as a front for the Chinese Ministry of Railways (Wade 2010)—reportedly won the contract to build and operate the Laos section of the Kunming-Vientiane railroad project and secured a \$7.2 billion loan through the Import-Export Bank (Chen and Stone 2013).

The Chinese central and provincial state have crafted preferential policies to support the profitability of Yunnanese business ventures. Thus, when Yunnanese investors engaged in the small-scale contract farming of bananas, watermelons and fresh vegetables in northern Laos (Liu 2012, 13), for example, the Border Residents Trade Fair Scheme made contract farming particularly profitable. It allowed each border resident to carry goods worth up to CNY8,000 per day for cross-border trade with tariff and VAT exemption (Liu 2012, 20). The Substitution Development Programme in Yunnan's border regions offers another example of the collaborative arrangement between Chinese authorities and provincial business interests. Due to its proximity to the Golden Triangle, Yunnan was exposed to drug trafficking and suffered from one of the highest levels of drug use in China (Hinton 1998, 16-17). To address this issue, the Chinese central and subnational states not only cooperated with law enforcement agencies in Laos, Myanmar and Thailand, but also engaged in alternative development work in rural communities in Northern Myanmar and Laos, where Yunnan's 'Green Drug Reduction Project' helped Laos and Myanmar replace poppies with rice, sugar cane, rubber and tea. Yunnan sent about 3,000 agricultural experts, bought back some of the agricultural produce and provided training to drug enforcement officers from northern Myanmar. Because of such efforts, rice fields in both Myanmar and Lao's border regions quadrupled from the mid-1990s to 2001. Still, border drug smuggling did not stop, and neither did the problem of drug use in Yunnan (Chen

2005, 209-210).

In 2006, China's State Council—partly in response to Yunnan's 'people's war on drugs'—approved a poppy substitution programme for Myanmar and Laos and created a special Opium Replacement Fund of CNY50 million (Liu 2012: 9). Yunnan-based companies dominated the programme (NDRC et al. 2008; NDRC et al. 2011; Liu 2012, 10&13; Su 2012b, 1342). They received subsidies from the central government, import tax and VAT waivers, and permission to import crops produced under the scheme. Such a permission was normally difficult to obtain due to set quotas. The China Export and Credit Insurance Corporation covered Yunnanese investors' activities by a special insurance programme (NDRC et al. 2008; Transnational Institute 2010). Despite official emphasis on the diversity of crops planted under the scheme (NDRC et al. 2011), rubber trees were planted in more than half of the areas (Liu 2012, 10). While failing to stop drug trafficking in Yunnan (Jin 2013), the opium replacement policy helped the Yunnan government convert some under-performing provincial rubber plantations back to natural forest (Ives 2013), as well as supported provincial investments in the GMS. Scholarly estimates of these investments range from CNY500 million in Myanmar alone from the early 1990s to 2009 (Zhu 2009, 81) to CNY1 billion in Northern Laos and Myanmar between 2005 and 2010 (Su 2012b, 1342). According to the Yunnan Department of Commerce, 198 Yunnan-based enterprises invested CNY1.334 billion in crop substitution in northern Laos and northern Myanmar from 2005 to 2008 (Summers 2013, 166).

There is a general consensus regarding the rapid growth of Yunnan's outbound investments into the GMS (Su 2012b, 1341; Summers 2013, 161&164; Lu 2013, 106), 80 percent of which went to Laos, Myanmar and Vietnam. In 2009, 50 Yunnan-based companies agreed to invest US\$419 million in these three GMS economies alone. In the first half of 2010, 16 Yunnanese companies invested US\$197 million in the same countries (Chen 2011, 187-188).

Cumulatively, according to Yunnan's official statistics, by early 2011 the contracted outbound FDI of 317 Yunnan-based companies stood at US\$10.1 billion, while their realized FDI amounted to US\$1.572 billion (PGYP 2011). During the first half of 2012 (the most recent available data), 36 Yunnan-based companies pledged to invest US\$610 million (which represented a 35 percent increase year-on-year), while their actual investment amounted to US\$450 million (19.1 percent higher than a year earlier) (PGYP 2012).

Finally, by presenting itself as a gateway to the GMS markets, Yunnan's provincial government lobbied for investments from overseas, as well as from more developed parts of China. Overall, Yunnan registered a steady growth of utilized FDI, from about US\$128 million in 2000 to US\$910 million in 2009 and US\$2.2 billion in 2012. Yunnan's share of all utilized FDI in China rose from 0.31 percent in 2000 to 1.96 percent in 2012. Most foreign investors did not come from the GMS (Myanmar is the only GMS economy that invested in Yunnan). Since the mid-1980s, however, Hong Kong was Yunnan's largest foreign investor, accounting for about 70-80 percent of all FDI in the province (Wang and Cai 2014, 3). Yunnanese authorities provided Hong Kong investors with preferential policies in terms of exemptions from land and income taxes, as well as organized periodic campaigns in Hong Kong to attract funding for selected economic sectors (Su 2013b; He 2012). By late 2011, 1,500 Hong Kong-funded enterprises settled in Yunnan, with cumulative investments in Yunnan's manufacturing, agriculture, forestry, animal husbandry, retail, real estate, electricity, natural gas and water supply reaching US\$8.4 billion in March 2012 (He 2012; Wang and Cai 2014, 3). Yunnan also sought financing from other parts of China, particularly Guangdong. By 2010, Guangdong companies established over 3,000 branches in Yunnan, employing over 200,000 people, with an investment of about US\$15.4 billion (Su 2013b). For Glassman (2010, 52), Hong Kong and

domestic investments in Yunnan signified the integration of the province into global production networks and as a base for exports to ASEAN markets.

Conclusion

The literature on paradiplomacy examines subnational actors' strategies to go beyond national borders in search of either economic opportunities the central state can no longer secure for them or foreign political support for their proto-nationalist aspirations. While emphasizing the subnational units' agency, the literature acknowledges their capacity to engage in external activities either independently of or in conjunction with the central government. Central states, for their part, respond by either engaging with or containing subnational units' external activities. Post-modern states often choose the former strategy, while the Westphalian states the latter. How does the case study of Yunnan's relations with the GMS fit into the broader context of paradiplomacy scholarship?

Given Yunnan's relative economic underdevelopment and the absence of its leaders from the CCP Politburo, as well as the inter-governmental nature of the ADB's GMS Programme, one must be careful not to over-generalize Yunnan's relations with the GMS as exemplifying *the* Chinese model of paradiplomacy. Yet, Yunnan's pattern of engagement with the GMS countries offers a valuable insight into the scope and nature of provincial foreign relations. It also reflects upon the Chinese central state's responsiveness to globalization and the central-provincial management of Chinese subnational units' paradiplomacy.

The origins of Yunnan's paradiplomacy in the GMS seemingly correspond to the general pattern identified by scholars of paradiplomacy. First, as Beijing's 'gold coast' strategy

privileged China's East rather than the West and demonstrated the benefits of economic transnationalization, Yunnanese authorities considered closer economic interaction with neighbouring countries as a major developmental opportunity. Second, while Yunnan arguably did not need the ADB to forge economic cooperation with Laos, Myanmar and Vietnam, the ADB's GMS Programme provided it with a convenient organizational framework through which to interact with the entire Greater Mekong Subregion. It also promised to inject much needed investments into Yunnan's—then poorly funded—infrastructure. The Chinese state, in line with its attachment to the Westphalian script, intervened by (a) limiting the extent of the ADB's economic activities in Yunnan and (b) becoming the ADB's chief partner on GMS matters, whether in terms of approving loans to Yunnan or devising the GMS Programme's new priority areas.

The nature of the ADB's GMS Programme as an inter-state collaborative project necessitated the Chinese central state's involvement on Yunnan's behalf. The evidence presented in this article does not support the argument on the symbiotic central-subnational partnership. Central governmental agencies presided over China's involvement in various GMS projects, delegating some—but not all—duties to the provincial government for implementation. It also does not support the argument made by Chen et al. (2010, 351) that Yunnanese authorities influenced Beijing's GMS strategy via domestic governmental and party institutions.

However, the claim that Yunnan merely acted as an agent of the central state's geoeconomic regional strategy also does not capture the complexity of Beijing-Kunming collaboration on the GMS issue. Yunnanese authorities pro-actively participated in selected GMS projects, in which context they became the central government's partner, rather than merely an agent. What makes Yunnan's paradiplomacy particularly noteworthy is that Yunnan exploited its status as

China's 'land bridge' to the GMS not only to benefit from economic relations with the neighbouring countries or from the ADB's loans, but also—if not above all—to enlist the central government's support for its ambitious development plans and (to a lesser extent) attract foreign capital. In doing so, the Yunnanese authorities created 'productivity coalitions' with provincial state-owned and private enterprises, business associations, as well as central ministries and national SOEs in order to develop Yunnan's transport infrastructure and build domestic and international markets for provincial and state capital. These infrastructure and market-building undertakings, in turn, shaped specific strategies of provincial state building through paradiplomatic activities in the GMS. In other words, *the Yunnanese authorities pursued paradiplomacy as a subnational state building project, designed to extract economic assistance from the central state.* This assistance came in the form of direct investments in the provincial infrastructure (roads, railroads and waterways) and preferential policies crafted to facilitate the profitability of Yunnan-based companies in the GMS. Yunnan's state-owned and private capital benefited in equal measure. The former aligned with the large, national SOEs that invested in multi-million hydropower, mining or transport infrastructure projects in the region. The latter focused on smaller-scale cross-border business ventures, often in the agricultural sector. Yunnan-funded and operated rubber plantations in Laos and Myanmar exemplify the effectiveness of Kunming's strategy of transforming a transnational issue that paradiplomacy could deal with—drug trafficking—into a profitable business venture benefiting provincial capitalist class interests. When in 2005 Guangxi joined the ADB's GMS Programme, Yunnan could no longer claim to be China's sole gateway to Southeast Asia and worried that Beijing would stop providing it with favourable policies (Lu 2013, 108). Beijing's 2009 designation of Yunnan as China's bridgehead to Southeast and South Asia (Su 2013a, 1221), however, allowed Kunming to continue soliciting preferential treatment as due to its special status in China's foreign relations. As Yunnan's inward-focused paradiplomatic

strategy corresponds to the broader pattern observed by scholars of Chinese regional planning (Li and Wu 2013, 145-6; Cheung 2012, 24), this study draws attention to the importance of domestic political economy, rather than merely economic globalization, as informing subnational units' foreign relations strategies and central-provincial coordination on foreign policy issues.

Yunnan's paradiplomacy signified neither a challenge to the central state's authority on foreign policy issues nor the Chinese state's voluntary retreat. In the context of paradiplomacy scholarship, Beijing's pro-active support for Yunnan's relations with the GMS represents a deviant case as it suggests a unitary Westphalian state's capacity not only to recognize the potential benefits of regionalism as a way to enhance the structural competitiveness of its borderland provinces in the regional economy, but also to craft supportive policies strengthening the economic competitiveness of selected subnational units. Beijing's centrality to Yunnan's paradiplomacy may explain its difficulty to recognize the extent of autonomy on foreign policy matters subnational units enjoy in post-modern unitary states (Shen 2014) and—in the hindsight—accentuates the naïveté of Segal's (2002) prediction regarding the growing agency of provinces in China's foreign relations.

In sum, if the Yunnan case reflects a wider phenomenon of Beijing's creative deployment of provinces in its economic and diplomatic strategies, and provinces' equally creative exploitation of the opportunities created by the central state, then provincial foreign relations demand more scholarly attention. Chinese subnational external activities not only reveal regional patterns of paradiplomacy, but also reflect upon the changing nature of central-provincial relations and the transformation of the Chinese central and subnational states. This paper represents one of the early attempts at this relatively new and promising research agenda.

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¹ The term 'paradiplomacy' remains contested. Duchacek (1984, 1988) coined several terms, including 'regional paradiplomacy', 'transregional paradiplomacy', 'global micro-diplomacy' and 'protodiplomacy'. Eventually, the term lost its sub-categories and came to broadly represent an international activity conducted by a subnational government (Cornago 1999, 40; Lecours 2002, 92; Wolff 2007, 141). However, some scholars consider the term's emphasis on the parallel and subsidiary nature of subnational external relations problematic. Instead, they prefer to refer to subnational diplomacy as 'multi-layered diplomacy' (Hocking 1993), 'postdiplomacy' (Aguirre 1999), 'multi-level governance' (Blatter 2001), 'multi-level endeavour' (Criekemans and Duran 2010, 35) or—simply—sub-state diplomacy (Criekemans and Duran 2010), constituent diplomacy (McMillan 2012) or 'constituent-unit foreign relations' (Michelmann 2009a).