



## The internationalization of the Chinese state

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### A B S T R A C T

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In the last decade, responding in part to an important increase in the number of Chinese state-owned enterprises operating overseas, the study of China's international relations has gained academic prominence. Research often emphasizes the ways in which domestic characteristics of the Chinese state shape the nature of its transnational engagement. However, the transformations experienced by the state in processes of internationalization remain largely under-researched. This article problematizes the internationalization of the Chinese state, analyzing it as a process of gradual re-territorialization, which induces power redistributions and cultural transformations. Using a variety of examples for illustrative purposes, and drawing upon multidisciplinary work on the state, the article argues that the Chinese state is undergoing a process of decentred internationalization that is the effect of an entrepreneurial statehood rationale. Contrary to essentialist and orientalist meta-narratives, the analysis of shifting cultures and power redistributions within the internationalized state opens up new avenues for academic enquiry on the micro-politics of everyday affairs in international relations.

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### Introduction

China's reform era started in the late 1970s as a process of 'Opening Up' to the outside world, as well as 'Bringing In' foreign investment and expertise. While firmly maintaining control over the transition process, the Chinese central government allowed a certain degree of economic liberalization that impelled the emergence of a private sector (foreign, autochthonous and hybrid) that subsequently played an important role in China's economic growth. This was accompanied by processes of relative decentralization and by growing limits to the grid of the state, particularly China's central government, in certain areas and arenas of economic and social life. The reform entered a second stage in the early 2000s when Beijing launched its 'Going Out' strategy. Having been first suggested by President Jiang Zemin in the early 1990s, the 'Going Out' strategy was officially included in the PRC's tenth five-year plan in 2001, and comprehensively implemented in the eleventh five-year plan drafted in 2006 (CCPIT, 2010). This ongoing strategy encourages big Chinese business to invest abroad in a wide range of sectors, makes active use of bilateral and multilateral diplomatic and economic platforms to promote Chinese companies, facilitates access to credit and strengthens the

cooperation between banks and insurance companies, simplifies the requirements to conduct overseas investment, provides companies with information on their target countries and capacitates managers with policy knowledge and abilities required for the internationalization process (NDRC, 2006).

China's policy makers have been motivated, among other factors, by the need for Chinese firms to face global competition, domestically and abroad, and therefore becoming capable of leading China's industrial development. Large state-owned enterprises (SOEs) have been the main targets and beneficiaries of the 'Going Out' strategy, particularly in the oil and mineral resources sectors, while China's central government has not hesitated in promoting privately-owned flagship enterprises such as Lenovo or Huawei (in the case of the former, partially owned by the state). Smaller companies are gradually following up, taking advantage of the developing investment networks, the experience accumulated by other Chinese companies that pioneered FDI in particular countries, and the growing appeal of Chinese investment in certain settings. Seemingly, the Chinese state has maintained an ambivalent position in the process of internationalization of Chinese firms. On the one hand, showing strands of an authoritarian quasi-developmental state, it has tried to control these processes and incorporate them into a wider foreign policy strategy. On the other hand, as an increasingly capitalist state, it has granted greater managerial autonomy to companies as part of an active industrial policy that understands the importance of independent managerial skills and market competition in firms' development.

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The independence of increasingly marketized branches of the state is nonetheless not adequately reflected in the majority of popular and even specialized international relations literature, which tend to favour essentialist depictions of the state. On this count, the word 'China' is rarely disaggregated and on the contrary is often used to refer to things as different as 'China's central government', 'Chinese state', 'Chinese firms', 'China's foreign policy makers', 'China's industrial policy makers', and in some cases even 'Chinese people', assuming unified aims and strategies among this wide range of actors. For instance, Mawdsley (2008: p. 518) calls attention to British broadsheet newspapers' tendency to homogenize Chinese actors and to isolate Chinese firms as nationally discrete entities, downplaying more complex realities. The analytical impasse is even more pervasive in the abundant 'China Threat' literature, which – with little regard to issues of positionality – presents China as a monolithic other, as a 'yellow peril' that must be feared in the zero-sum game of realist international relations. Likewise, the influence of Samuel Huntington's 'Clash of Civilizations' theory in America's geopolitical imaginary has also contributed to a view of China as a single-minded actor in the global stage. In a similar vein, public administration scholarship sometimes tends to devalue the significant degrees of autonomy attained by state-owned companies in the last two decades. According to this view, '[Chinese] enterprise nomenklatura is a political control mechanism designed chiefly to unify the power to control personnel, state assets and management of daily affairs' (Chan, 2009: p. 52). This type of analyses, while useful in reminding the integration of SOEs in the state apparatus, places an excessive focus on formal administrative structures and fails to identify ideological and factual transformations in the way Chinese SOEs operate, particularly in the management of daily affairs.

The prevailing view of the Chinese state in international relations as a highly hierarchical and effective one, yet totalitarian and crude, reflects the anxieties and awe with which the West has historically looked at the East and, most importantly, at itself. As Said explains, divisions among the culturally constructed Occident and Orient are a fact of human production and of 'imaginative geography' (Said, 1985: p. 90). Yet as critical geopolitics scholarship has made it clear, these cultural constructions reproduce patterns of political power through knowledge. In addition, a second basis for misperceptions of the Chinese state's foreign relations comes from the international relations theory's assumption of a direct link between state and territory (Agnew & Corbridge, 1995: p. 80), and the realist 'assumption that there exists either complete or 'absolute' sovereignty or no sovereignty at all' (McConnell, 2009: p. 344). The Chinese state is thus often depicted as a rather static entity, being subject to changes only through processes that occur within fixed state borders.

As opposed to essentialist international relations analyses, political geography and cognate disciplines have made significant progress in exploring the territorial unevenness and local variation of the Chinese state in its relationship with inward investment. Kean Fan Lim, for example, notes how China's government established Special Economic Zones (SEZs) for the 'spatial fixing' of overseas capital (Lim, 2010: p. 680). Lim's observation highlights how state and market are not contradictory forces in contemporary China. They are embedded in complex ways, and not least affected by China's position in transnational networks of production. Focusing also on the SEZs and Special Administrative Regions (SARs), Aihwa Ong posits that these innovative zoning technologies create 'the spaces and conditions of variegated sovereignty aligned on an axis of trade, industrialization, and gradual political integration' (Ong, 2004: p. 70). Yet the political economy of China's development is not determined by centralized geo-graphing alone, but negotiated in a multiplicity of local encounters. For example,

Henry Wai-chung Yeung describes how the cross-border operations of Singaporean firms in China are 'embedded in dense networks of social and political relationships' (Yeung, 2000: p. 809), and how the rescaling of China's political economy during the reform era has empowered local authorities to significantly reshape everyday state–business relationships. Indeed, some political science scholars have reflected the tensions between different actors within the Chinese state, as can be appreciated in Liou's study of the impacts of bureaucratic fragmentation in overseas investment by Chinese state-owned oil companies (Liou, 2009). And the issue of internationalization has not remained untouched. David Zweig (2002) provides a profound analysis of some of the ways in which China as a whole has been internally transformed and internationalized through the reform era following the open doors policy.

What seems missing, though, is an analysis that problematizes the Chinese state as it becomes re-territorialized outside China's borders, and that hence studies the ways in which the state is transformed through gradual internationalization. This article addresses this transformation as a decentred process through which the diverse entities of the Chinese state outside China develop different strategies, objectives and behaviours. Whereas China's central government draws the general internationalization roadmap and attempts to control – to varying degrees – different branches of the state, SOEs also pursue independent goals, at times in partnership with private businesses or other states. In these processes, state power becomes embedded in business ventures and is subsequently dispersed and dislocated, yet its effects remain real. Concurrently, internationalization affects the worldviews, ideologies and rationales of the individual and group actors that produce and reproduce micro-politics of everyday affairs. Thereby, understandings of the role of state are transformed, based on and increasingly favouring an entrepreneurial statehood rationale. Focusing on the flexible and uneven relationship between SOEs, state-linked companies (SLCs), and central government, the concluding section of the article will propose a geopolitics of state internationalization in China that critically assesses three parallel processes: (i) the re-territorialization of the state through transnational sovereignty arrangements, or *what* the state governs; (ii) the negotiation and struggle for spaces of statehood within the increasingly capitalist Chinese state (domestically and abroad), or *who* governs; (iii) and the transformations of power, culture and governmentality within the internationalized state and the attendant micro-politics of everyday affairs and politics of state transnationality, or *how* the state governs.

The article is divided as follows. The first section reviews multidisciplinary scholarship on the state, and pays attention to analyses of the state within China that could serve as a basis to analyze internationalization processes. The internationalization of the Chinese state is explained as an increasingly decentred process impelled by an entrepreneurial statehood rationale. The subsequent section illustrates with various examples how the decentred internationalization of the Chinese state is driven by central government planning, strategies deployed by marketized state branches, and contextual contingencies. The final section recapitulates these issues and proposes three potential directions in the study of the international relations of the Chinese state.

### The Chinese state in the reform era

There have been numerous attempts to theorize the state in China during the reform era. Among these, the developmental state model is one of the most debated. The idea of the developmental state was first elaborated by Chalmers Johnson (1982) to explain Japan's successful development. Johnson stressed the significance

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