

State Transformation and Chinese Actions in the South China Sea

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Abstract

Chinese actions in the South China Sea over recent years have been largely interpreted through the lens of debates within the field of International Relations over the nature and direction of the international order. Drawing on divergent theoretical approaches, these debates have questioned what the South China Sea portends for the broader question of the prospects for 'power transition' in the Asian region and/or global system, resulting from China's rapid economic development and military modernisation. Yet, many observers have struggled to make sense of the contradictory actions and statements of Chinese actors. Our paper draws attention to uneven and contested processes of state transformation within China – the fragmentation, decentralisation and internationalisation of state apparatuses – as a lens capable of accounting for the confusing picture we are seeing in the South China Sea. This short paper will outline what we mean by state transformation, how it has occurred in China in the reform era, and illustrate its significance to the South China Sea. It will also draw out some important policy implications.

Introduction

Chinese actions in the South China Sea (SCS) have been closely observed by analysts in recent years. Many incidents indicate the implementation of a strategy for the expansion of Chinese control over the disputed waters. These include clashes involving fishing and coast guard vessels; activities such as large-scale dredging and land reclamation; and proclamations of Chinese sovereignty over the entire 'Nine-Dash Line' area. The growing assertiveness of Chinese actors in the SCS, especially since 2012, appears to bode ill for how a rising China will affect Asian security.¹ Growing American involvement in the SCS – for example, the construction of military bases in the Philippines, the lift of the long-standing ban on the sale of arms to Vietnam, and naval 'freedom of navigation' voyages – indicates that Washington decision makers also view the SCS as a 'litmus test' for US military hegemony in Asia in the context of a perceived Chinese challenge to American dominance.

By contrast, some long-term China observers claim that 'the only thing consistent about [Chinese policy in the SCS] is its inconsistency and lack of discernible strategy'.² For instance, China signed a bilateral agreement with Vietnam in 2011 to resolve maritime disputes through 'friendly negotiations and consultations', but in 2014 the Chinese state-owned energy behemoth CNOOC unilaterally moved an oil rig into disputed

¹Robert D. Kaplan, *Asia's Cauldron: The South China Sea and the End of a Stable Pacific* (Random House, New York, 2014).

²Ryan Santicola, 'China's Consistently Inconsistent South China Sea Policy', in *The Diplomat*, 24 May 2014 [cited 24 August 2016]; available from <http://thediplomat.com/2014/05/chinas-consistently-inconsistent-south-china-sea-policy/>.

waters near the Paracel Islands, creating a diplomatic incident between the two countries, and anti-Chinese riots within Vietnam. This action was in direct tension with the Chinese Ministry of Foreign Affairs' (MOFA) oft-declared position that China preferred to resolve its disputes in the SCS peacefully through bilateral negotiations with Southeast Asian states.³ In July 2014 the rig was removed, with MOFA again reiterating China's commitment to bilateral negotiations, but adding that the Association of Southeast Asian Nations (ASEAN) should also have a role in the process. Perhaps more confusingly, in 2009 five Chinese vessels clashed with the US spy ship *Impeccable* near Hainan. Although one Chinese naval intelligence ship was present, the operation was led by a Fisheries Law Enforcement Command vessel, supported by one State Oceanic Administration ship and two Hainanese trawlers acting as maritime militia. MOFA was initially unaware of the incident; it responded to US protests, attributing the incident to the Ministry of Agriculture, and wrongly claiming that no naval ship was present.⁴ It was clear MOFA was scrambling to provide *post hoc* justifications. Thus, where many observers see strategically coordinated Chinese action in the SCS, others instead emphasise the fragmented, disjointed and often unpredictable nature of China's maritime security domain.⁵

We argue that existing approaches in International Relations (IR), which dominate public debates, are not geared towards making sense of the evidence of fragmentation in Chinese activities in the SCS. They therefore either ignore it or try to shoehorn it into existing IR theoretical explanations. China experts, who observe such tendencies, are typically disinterested in developing theoretical frameworks for explaining their occurrence. We proceed to locate Chinese activities in the SCS within broader processes of state transformation in China under globalisation. We also briefly introduce a framework for analysing the effects of state transformation on foreign and security policymaking and discuss the implications for regional security.

State Transformation in China and the South China Sea

³*Ibid.*

⁴Kurt Campbell, 'Trouble at Sea Reveals the New Shape of China's Foreign Policy', in *Financial Times*, 22 July 2014 [cited 24 August 2016]; available from <http://blogs.ft.com/the-a-list/2014/07/22/trouble-at-seareveals-the-new-shape-of-chinas-foreign-policy/>; Andrew S. Erickson and Conor M. Kennedy, 'China's Daring Vanguard: Introducing Sanya City's Maritime Militia', *Center for International Maritime Security*, 5 November 2015 [cited 4 August 2016]; available from <http://cimsec.org/chinas-daring-vanguard-introducing-sanya-citys-maritime-militia/19753>.

⁵Linda Jakobson, 'China's unpredictable maritime security actors', *Lowy Institute for International Policy*, December 2014; available from http://www.lowyinstitute.org/files/chinas-unpredictable-maritime-security-actors_3.pdf.

International Relations scholars generally view events in the SCS as part of the wider debate over the impact of 'rising powers', specifically China, on the world order. Despite their many differences, the predominant concern of nearly all IR studies of rising powers is whether the US-led liberal international order will be violently overturned, or whether there are sufficient constraints – military deterrence, economic interdependence, institutions or norms, depending on one's theoretical orientation – to avoid serious inter-state conflict.⁶ The *systemic* focus of this debate overlooks the importance of *unit*-level transformations in states.

The IR literature on rising powers typically treats the state as a territorial 'container' for social and political relations,⁷ often as a 'black box'.⁸ Hence, what happens inside China is often ignored when evaluating Chinese actions in the SCS, under the assumption that states' international behaviour is shaped mainly by the pressures of the international system. Alternatively, domestic processes are seen by some IR scholars to shape states' international behaviour in a 'two-step' process, but the domestic and international political arenas are seen as distinct and neatly demarcated.⁹

This neglects extensive literature on the recent emergence of post-Westphalian statehood. For example, scholars observe a general shift towards 'regulatory statehood', whereby central executives abandon command and control approaches, merely setting broad targets and guidelines for a wide range of national, subnational and private bodies to follow.¹⁰ Many such agencies have subsequently developed their own international policies, breaking the monopoly previously held by foreign and defence ministries,¹¹ with significant consequences for international relations. For instance, these changes have generated many transgovernmental networks and multilevel governance arrangements, particularly regional ones.¹² IR scholars, however, tend to see these processes as either irrelevant for 'Westphalian' rising powers like China, or even argue that China and other rising powers are reversing earlier trends, leading the world 'back to Westphalia'.¹³

In the specialist field of Sinology, however, there is now over 30 years of literature identifying significant transformations in the Chinese state since the onset of capitalist

⁶ For an overview see Shahar Hameiri and Lee Jones, 'Rising Powers and State Transformation: The Case of China', in *European Journal of International Relations*, vol.22, no. 1, 2016, pp. 72-98.

⁷ John Agnew, 'The Territorial Trap: The Geographical Assumptions of International Relations Theory', in *Review of International Political Economy*, vol. 1, no. 1, 1994, pp. 53-80.

⁸ Jim Glassman, *Bounding the Mekong: The Asian Development Bank, China, and Thailand* (University of Hawai'i Press, Honolulu, 2010), p. 116.

⁹ Jeffrey W. Legro and Andrew Moravcsik, 'Is Anybody Still a Realist?', in *International Security*, vol.24, no. 2, 1999, pp. 5-55.

¹⁰ Giandomenico Majone, 'The Rise of the Regulatory State in Europe', in *West European Politics*, vol. 17, no. 3, 1994, pp. 77-101; Navroz K. Dubash and Bronwen Morgan (eds.), *The Rise of the Regulatory State of the South: Infrastructure and Development in Emerging Economies*, (Oxford University Press, Oxford, 2013).

¹¹ Christopher Hill, *Foreign Policy in the Twenty-First Century* (Palgrave Macmillan, Basingstoke, 2nd ed., 2016); Kanishka Jayasuriya, 'Globalisation and the Changing Architecture of the State: Regulatory State and the Politics of Negative Coordination', in *Journal of European Public Policy*, vol. 8, no. 1, 2001, pp. 101-123.

¹² Anne-Marie Slaughter, *A New World Order*, (Princeton University Press, Princeton, 2004); Philip G. Cerny, *Rethinking World Politics: A Theory of Transnational Neopluralism* (Oxford University Press, Oxford, 2010).

¹³ Daniel Flesmes, 'Network Powers: Strategies of Change in the Multipolar System', in *Third World Quarterly*, vol. 34, no. 6, 2013, pp. 1016-36, pp. 1016-17.

'reform' in 1978. The dominant paradigm is 'fragmented authoritarianism',¹⁴ which describes the dispersal of power to diverse actors competing for power and resources across the party-state. Sinologists have documented the fragmentation of policy regimes and the pluralisation of relevant actors through the endless reformation of central ministries and agencies,¹⁵ and the devolution of authority to sub-national governments.¹⁶ As a result, top leaders' power to secure coherent policy outcomes has declined radically, with subordinate agencies often interpreting or even ignoring vague central guidelines to pursue their own interests.¹⁷ Importantly, several scholars have noted that this 'deconstruction' of the Chinese state apparently extends to foreign and security policymaking and implementation.¹⁸ Others note the internationalisation of some state apparatuses, with SOEs becoming increasingly autonomous global corporations,¹⁹ domestic regulators and law-enforcement agencies acquiring international functions,²⁰ and provincial governments taking responsibility for their foreign economic relations, signing agreements as far afield as Africa.²¹ To Sinologists, then, China certainly does *not* seem immune from 'post-Westphalian' transformation, including under President Xi.²²

In the SCS, specifically, we see a range of competing, malcoordinated actors operating with considerable latitude. While MOFA is 'theoretically responsible', it is in practice 'largely bypassed by ... more powerful players'.²³ Numerous national / sub-national agencies have partial jurisdiction, including several formerly domestic agencies that have internationalised their activities: the Ministry of Agriculture's Bureau of Fisheries Administration, China Marine Surveillance, provincial governments, the navy, state-owned energy firms, and several law enforcement agencies.²⁴ While MOFA generally

¹⁴Kenneth G. Lieberthal, 'Introduction: the "Fragmented Authoritarianism" Model and Its Limitations', in Kenneth G. Lieberthal and David M. Lampton (eds.), *Bureaucracy, Politics, and Decision Making in Post-Mao China* (University of California Press, Berkeley, 1992), pp. 1–30; Andrew Mertha, "'Fragmented Authoritarianism 2.0": Political Pluralization in the Chinese Policy Process', in *The China Quarterly*, vol. 200, 2009, pp. 995–1012.

¹⁵Philip Andrews-Speed, 'The Institutions of Energy Governance in China' (Institut Français des Relations Internationales, Paris, January 2010).

¹⁶Yongnian Zheng, *De Facto Federalism in China: Reforms and Dynamics of Central-Local Relations* (World Scientific, Singapore, 2007).

¹⁷Heike Holbig, 'The Emergence of the Campaign to Open up the West: Ideological Formation, Central Decision-Making and the Role of the Provinces', in *The China Quarterly*, vol. 178, 2004, pp. 335–357; Tucker Van Aken and Orion A. Lewis, 'The Political Economy of Noncompliance in China: The Case of Industrial Energy Policy', in *Journal of Contemporary China*, vol. 24, no. 95, 2015, pp. 798–822.

¹⁸Gerald Segal, 'Deconstructing Foreign Relations', in David S.G. Goodman and Gerald Segal (eds.), *China Deconstructs: Politics, Trade and Regionalism* (Routledge, London, 1994), pp. 322–355; David M. Lampton (ed.), *The Making of Chinese Foreign and Security Policy in the Era of Reform, 1978-2000* (Stanford University Press, Stanford, 2001).

¹⁹Zhang Jun, *Transformation of the Chinese Enterprises* (Cengage Learning, Andover, 2010)

²⁰Stephen Bell and Hui Feng, *The Rise of the People's Bank of China: The Politics of Institutional Change* (Harvard University Press, Cambridge, MA, 2013).

²¹Chen Zhimin and Jian Junbo, 'Chinese Provinces as Foreign Policy Actors in Africa', (Occasional Paper 22, South African Institute of International Affairs, Johannesburg, January 2009); Chen Zhimin, Jian Junbo and Chen Diyu, 'The Provinces and China's Multi-Layered Diplomacy: The Cases of GMS and Africa', in *The Hague Journal of Diplomacy* vol. 5, no. 4, 2010, pp. 331–356.

²²Linda Jakobson and Ryan Manuel, 'How Are Foreign Policy Decisions Made in China?', in *Asia & the Pacific Policy Studies* vol. 3, no. 1, 2016, pp. 101-10.

²³International Crisis Group, 'Stirring Up the South China Sea (I)' (Asia Report 223, ICG, Beijing, April 2012).

²⁴*Ibid.*; Jakobson, 'China's Unpredictable Maritime Security Actors'.

promotes regional cooperation and compliance with international law, the navy takes a more aggressive stance to boost its power and resources.²⁵ China's recently internationalised state-owned energy companies also generate conflict and crises by issuing permits and drilling for hydrocarbons with scant regard for international law or MOFA protests, often aided by formerly purely domestic law-enforcement agencies.²⁶ Hainan's provincial government is another serious irritant. Due to decentralisation, Hainan has acquired authority over coastal waters in the SCS and the province's foreign economic relations. Hainan has massively assisted the local fishing industry's expansion into the SCS with subsidies and backing from local coast guards and militias, generating nearly 400 clashes with neighbouring states' vessels since 1990.²⁷ The recently much-discussed 'maritime militia' – fishing boats aggressively asserting Chinese exclusive fishing rights in the SCS – operates from Hainan.

And while some have been arguing that under President Xi considerable recentralisation of Chinese foreign policy has occurred, a recent analysis by Xiong suggests Chinese activities in the SCS are as dispersed as ever. Currently, four different law-enforcement agencies are operating in the SCS, associated with the national, Hainan and Sansha City governments. Xiong argues that: these actors struggle to undertake joint activities; no regulations exist to clarify the juridical status, functions and powers of different actors; the approaches and means to enforce the law are very limited; and the quality of the equipment and logistical support available to some of these agencies are poor.²⁸

MOFA and the Politburo Foreign Affairs Leading Small Group struggle to coordinate these 'multiple autonomous actors'.²⁹ While they sometimes approve subordinates' bottom-up initiatives, often they are left reacting to international crises provoked by the opportunistic, self-interested pursuit of power and resources, as the *Impeccable* incident shows. Rather than reflecting a 'grand strategy', state transformation produces 'consistently inconsistent' behaviour in the SCS.³⁰

Theorising state transformation and foreign/security policymaking

The evidence above indicates that processes of state fragmentation, decentralisation and internationalisation appear to affect Chinese actions in the SCS. However, we need to extend upon the empirically rich but theoretically limited Sinologist literature to develop a framework capable of systematically analysing how, where and to what

²⁵ Christopher Chung, *The Spratly Islands Dispute: Decision Units and Domestic Politics*, PhD thesis, University of New South Wales, 2004, ch. 6.

²⁶ Robert Beckman, Ian Townsend-Gault, Clive Schofield, Tara Davenport and Leonardo Bernard, 'Factors Conducive to Joint Development in Asia: Lessons Learned for the South China Sea', in Robert Beckman, Ian Townsend-Gault, Clive Schofield, Tara Davenport and Leonardo Bernard (eds.), *Beyond Territorial Disputes in the South China Sea: Legal Frameworks for the Joint Development of Hydrocarbon Resources* (Edward Elgar, Cheltenham, 2013), pp. 411–441, pp. 429–30.

²⁷ Zhang Hongzhou, 'China's Evolving Fishing Industry: Implications for Regional and Global Maritime Security' (RSIS Working Paper 246, National University of Singapore, August 2012).

²⁸ Xiong Yongxian, '论南海海上执法模式的选择与建设[The Choosing and Construction of Law Enforcement Model in South China Sea]', in *Journal of Henan University of Economics and Law*, no. 3, 2015, pp. 13–18.

²⁹ Chien-peng Chung, *Domestic Politics, International Bargaining and China's Territorial Disputes* (EPUB ed., Routledge Curzon, London, 2004).

³⁰ Ryan Santicola, 'The Diminishing Returns of Ambiguity in the South China Sea', in *The Diplomat*, 3 November 2015 [accessed 8 August 2016]; available at <http://thediplomat.com/2015/11/the-diminishing-returns-of-ambiguity-in-the-south-china-sea/>.

extent state transformation processes affect the international behaviour of states like China.

We propose to use the 'State Transformation Approach' (STA).³¹ The STA emerges from a Gramscian tradition of political analysis and seeks to explain outcomes in international security as stemming from socio-political contestation over state transformation, rooted in concrete political-economy contexts. In this tradition, states are not unitary 'actors' but evolving institutional ensembles whose form and operation is conditioned by dynamic social conflict.³² Because state apparatuses help to (re)distribute power and resources, groups struggle to create state forms that reflect and entrench their power, interests and agendas. Consequently, state transformation is not neutral or technical, but is hotly contested between social and political forces. Political outcomes – including those relating to international security – reflect the contingent outcome of this struggle.

The STA explicitly recognises the aforementioned broad changes in statehood that have occurred worldwide since the late 1970s, albeit with local variation due to the specific contexts and struggles that ultimately determine state forms. However, given the STA's theoretical underpinning in Gramscian state theory, none of these transformations is understood as simply a rational response to globalisation or complex interdependence. Rather, they are heavily contested by socio-political forces within and beyond the state, and this contestation shapes the extent and form of state transformation, and how transformed state apparatuses function in practice. The explanatory aspect of the STA thus focuses on identifying the coalitions of forces – social classes and class fractions, religious and ethnic groups, state-based groups (bureaucrats, military, police, etc.), and so on – that promote, resist, adapt or contest particular initiatives, and how this struggle shapes concrete outcomes. Studying these contestations within specific issue-areas will enable us to trace the connections between China's state transformation and the fragmented, frequently incoherent nature of FSP output.

In practice, this involves two analytic steps. The first is to identify, in broad terms, the main drivers and dynamics of state transformation and how they are reshaping foreign or security policymaking and implementation. Preliminary research suggests the main driver in China is the contested shift from Maoist state socialism to state-led capitalism, which creates a strong bias towards developmentalist, profit-making and rent-seeking activities, and fosters competitive struggles for power and resources throughout the party-state. The main dynamics of state transformation are the fragmentation, decentralisation and uneven internationalisation of state apparatuses. This has dispersed de facto policymaking control to diverse actors, detailed mapping of which is required for every issue-area under examination.

The second step involves explaining outcomes in specific areas of foreign or security policymaking by mapping the precise actors involved, identifying the strategies each uses to advance their interests and agendas in this particular domain, and tracing policy

³¹ Shahar Hameiri and Lee Jones, *Governing Borderless Threats: Non-Traditional Security and the Politics of State Transformation* (Cambridge University Press, Cambridge, 2015).

³² Nicos Poulantzas, *State, Power, Socialism* (New Left Books, London, 1978); Bob Jessop, *State Power: A Strategic-Relational Approach* (Polity, Cambridge, 2007).

outcomes from these power struggles. Our research suggests that strategies are of two broad types.

First, centrally-located actors primarily use strategies associated with ‘regulatory statehood’. In regulatory states, central governments withdraw from ‘positive intervention’ to directly secure policy outcomes, to the ‘negative coordination’ of diverse national, subnational, public, private and hybrid actors. This appears to be how centrally located Chinese actors now seek to govern foreign or security policymaking – with the range of tactics determined by the specific local context. These tactics include: forming ‘leading small groups’ and other bodies intended to coordinate multiple actors (e.g., the National Security Commission); issuing of broad, but typically vague, ideological and political guidance through speeches and diplomatic work conferences; and disciplining subordinates who stray too far from notional policy. The tightness of this control will vary substantially across issue areas, e.g., very tight over core issues such as Taiwan or ‘spotlight’ issues that top leaders are temporarily focused upon; far looser in less immediately crucial areas or where top leaders are distracted.

Second, these broad policy contours are interpreted, contested and occasionally violated by other actors. Very occasionally, actors may simply go rogue, exploiting their power to undertake entirely unsanctioned behaviour. Far more often, agencies push their own agendas by presenting them as compatible with vague, national-level frameworks. Another strategy is to promote the ‘rescaling’ of governance: the relocation of power and authority over issues to territorial scales that suit their interests, from the local through the national to the international. In China, this often involves struggles for authority and budgetary control between central and local actors, for example, provincial power-grabs versus President Xi’s recent recentralisation efforts. Studying these contestations within specific issue-areas will enable us to trace the connections between China’s state transformation and the fragmented, frequently incoherent nature of foreign and security policy outputs.

Conclusion

Most IR studies and many observers treat the Chinese state as a unified actor and therefore seek to deduce from actions in the SCS China’s overall strategy in Asia. Many Sinologists, however, note the remarkable fragmentation of the Chinese maritime domain and the disjointed ways in which multiple actors behave in the SCS. The latter, despite their rich empirical observations, lack a theoretical framework with which to analyse the fragmentation of policymaking and implementation they are observing. We have briefly outlined such an approach, the STA.

That uneven processes of state transformation – fragmentation, decentralisation and internationalisation – are shaping Chinese actions in the SCS has significant implications for actors seeking to respond to these in Asia and beyond. Treating Chinese actions as manifestations of a coherent, Beijing-led strategy could lead to strong reactions from other actors that could escalate the situation in the SCS needlessly. Nonetheless, state transformation is also fraught with dangers, given that many of the problems in the SCS, such as aggressive fishing expeditions and unilateral oil drilling, appear to be associated with the Chinese state’s disaggregation. To make matters worse, in China’s hyper-nationalistic political environment, the increasingly unpopular Communist Party leadership in Beijing can scarcely afford to be seen to back down against international pressure, and is thus in a bind when dragged into crises fomented by more reckless

actors in the SCS. Hence state transformation may be raising the risk level, not reducing it. But the Cold War approaches of deterrence or hedging are unlikely to work in this context. It is therefore incumbent upon actors to analyse the effects of state transformation upon Chinese behaviour first, before devising strategies and tactics for the SCS.