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The Development-Insecurity Nexus in China's Near-Abroad: Rethinking Cross-Border Economic Integration in an Era of State Transformation

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ABSTRACT
Surprisingly, perhaps, China's flagship Belt and Road Initiative expresses a familiar mix of the security–development nexus and liberal interdependence thesis: Chinese leaders expect economic development and integration will stabilise and secure neighbouring states and improve inter-state relations. However, drawing on the record of China's intensive economic interaction with Myanmar, we argue that the opposite outcome may occur, for two reasons. First, capitalist development is inherently conflict-prone. Second, moreover, China's cross-border economic relations today are shaped by state transformation – the fragmentation, decentralisation and internationalisation of party-state apparatuses. Accordingly, economic relations often emerge not from coherent national strategies, but from the uncoordinated, even contradictory, activities of various state and non-state agencies at multiple scales, which may exacerbate capitalist development's conflictual aspects and undermine official policy goals. In the Sino-Myanmar case, the lead Chinese actors creating and managing cross-border economic engagements are sub-national agencies and enterprises based in, or operating through, Yunnan province. The rapacious form of development they have pursued has exacerbated insecurity, helped to reignite ethnic conflict in Myanmar's borderlands, and plunged bilateral relations into crisis. Consequently, the Chinese government has had to change its policy and intervene in Myanmar's domestic affairs to promote peace negotiations.

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China's Belt and Road Initiative (BRI) – initially known as "One Belt, One Road" – draws in part on a familiar mix of ideas: the "security–development nexus" and the liberal "interdependence thesis." The security–development nexus refers to the expectation that improved development outcomes will produce more stable states and societies, generating better security outcomes, internally and internationally (see Duffield 2001). Whereas the security–development nexus is conventionally associated with the "liberal peace thesis," which has strong interventionist overtones, the "Chinese peace" variant emphasises respect

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for national sovereignty, political stability, and state-directed, infrastructure-led economic development (Kuo 2012). The liberal interdependence thesis suggests that deepening cross-border economic integration should produce more peaceful and co-operative relations between states (Keohane and Nye 1977).

Both ideas pre-date the BRI in Chinese policy thinking and manifest clearly in BRI's official framing. The security–development nexus has long underpinned the central government's approach towards China's underdeveloped border regions, especially Xinjiang and Tibet. Border regions' under-development, often combined with the presence of sizeable ethnic minorities with links to kinsfolk beyond China's borders, has for some time been seen as a security risk. Hence, state-led development agendas, such as the "Great Western Development" (GWD) campaign, were enacted from the 1990s to address this issue (Cai 2017, 6). GWD – a clear forerunner of the BRI (Summers 2016) – sought to pacify social unrest by encouraging local governments to boost economic growth through developing trans-boundary economic ties (Holbig 2004). Likewise, as Chinese firms were encouraged to "go out" from 2000 onwards, the Chinese government also promoted official notions of a "harmonious world" and "win-win co-operation" based on "mutual benefit and equality" (Blanchard 2008). The BRI is premised on similar ideas: cross-border economic integration and improved development outcomes will supposedly help participating states manage their security problems and prevent the spillover of non-traditional security (NTS) threats into Chinese territory (Cai 2017, 7). Shortly before formally announcing the BRI in 2013, President Xi Jinping connected economic co-operation and the stabilisation of China's periphery in a speech to a Communist Party work conference:

> Maintaining stability in China's neighbourhood is the key objective of peripheral diplomacy. We must encourage and participate in the process of regional economic integration, speed up the process of building up infrastructure and connectivity. We must build the Silk Road Economic Belt and 21st Century Maritime Silk Road (cited in Cai 2017, 3).

China's former ambassador to Pakistan, Lu Shulin, has likewise argued that the BRI-related China-Pakistan Economic Corridor (CPEC) will improve security, arguing that "the gradual betterment of Pakistan and China's less-developed areas will help alleviate poverty, which is the source of terrorism, hence effecting a permanent cure to terrorism" (Lu 2015, 50–56).

The Chinese leadership also clearly expects that deepening cross-border economic integration will support peaceful inter-state relations and co-operation, resonating with the liberal interdependence thesis. The BRI's loose blueprint, "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road," states that improved transnational infrastructure will generate "win-win co-operation" and build a "community of shared interests, destiny and responsibility featuring mutual political trust, economic integration and cultural inclusiveness." Economic co-operation is expected to serve "the objectives of mutual benefit and common security" (NDRC, Ministry of Foreign Affairs and Ministry of Commerce 2015, section III).

There are reasons to be sceptical, however, that the BRI will deliver the anticipated "Chinese peace." Important clues as to how the BRI will unfold can be gleaned from the previous rounds of transnational economic expansion, like GWD, from which BRI has clearly been scaled up (Summers 2016; Jones and Zeng 2017). This article focuses on the case of Sino-Myanmar relations. This is a useful and important case because Chinese economic actors have intensively engaged Myanmar for two decades now, providing a rich empirical base, and "Vision and Actions" specifically identifies Myanmar as a key BRI partner. Furthermore, as we explain below, Myanmar's characteristics help to bring out the dynamics with which we are concerned. Much of the two territories' economic interaction has occurred via China's Yunnan province, and it is clearly important to both sides. By mid-2017, approved Chinese investment in Myanmar stood at US$26.8 billion, 37% of Myanmar's total foreign investment stock (DICA 2017). In 2016, China took 43% of Myanmar's exports ($4.4 billion) and supplied 35% of its imports ($5.1 billion) (UNCTAD 2018). Half of Sino-Myanmar trade transits Yunnanese checkpoints, comprising 77% of Myanmar's and 52.4% of Yunnan's border trade by volume (*China Economic News Service*, July 28, 2017; *Global New Light of Myanmar*, July 22, 2017; *Yunnan Net*, January 23, 2017). By value, Yunnan transacts 42% of its imports and 15% of its exports with Myanmar (Kunming Customs District 2016).

Although the Chinese peace and interdependence theses would expect such close economic ties to underpin improved security and inter-state relations, in fact, the reverse has occurred. On the Myanmar side, Chinese economic engagements have been associated with increased organised crime, environmental degradation, land grabs, and escalating socio-political conflict. On the Chinese side, closer integration with Myanmar has intensified problems of smuggling, illegal gambling, narcotics trafficking, drug abuse, and HIV/AIDS. The Sino-Myanmar borderlands thus exhibit a development-*insecurity* nexus. Reflecting these trends, China's bilateral relationship with Myanmar deteriorated sharply after 2011, with analysts bemoaning Myanmar's "loss" to the US (Sun 2012).

These outcomes have two fundamental, interrelated causes, both of which must be grasped to provide a full explanation. First, contrary to both liberal thought and the official statements of illiberal, developmentalist technocrats, capitalist development is not a peaceful process but is inherently conflict-ridden and crisis-prone, sometimes violently so, especially in its earliest phases of "primitive accumulation" or "accumulation by dispossession" (Harvey 2003, ch. 4). This is well established in the existing critical literature on capitalist development. The second cause, however, is overlooked: since the 1970s, capitalist development has been associated with transformations in statehood – the fragmentation, decentralisation and internationalisation of state apparatuses – that have significantly reduced the capacity of central government agencies to manage foreign economic policy in a coherent manner (Hameiri and Jones 2016, 78–81). Contrary to depictions of China as a highly centralised, "Westphalian state" in the international relations (IR) discipline (see Hameiri and Jones 2016, 74–78), the sub-field of foreign policy analysis (Tubilewicz 2017), and even in ostensibly critical scholarship drawing on Marxist concepts (see, for example, Stephen 2014; Rolf and Agnew 2016), these global processes do manifest in China and have profoundly reconfigured the Chinese party-state. Foreign policymaking and implementation now involve a diverse array of actors, many of them largely guided by pecuniary, not diplomatic, motives, producing contradictory behaviours that can undermine official policy objectives (see Jones and Zou 2017; Jones Forthcoming). The case study in this article shows how these two dynamics combine. Sino-Myanmar economic interaction has been predominantly driven by politico-business interests based in, or operating through, Yunnan province, which have pursued a particularly rapacious and poorly regulated form of cross-border "development," seriously undermining the central government's policy objectives.

The article proceeds in two parts. The first describes the main drivers of the development–insecurity nexus: the conflictual nature of capitalist development and changes in Chinese statehood since 1978, focusing on the implications for cross-border economic relations. The second part presents the case study, which is partly based on several rounds of fieldwork in China and Myanmar – though, given informants' requests for anonymity and the need for replicability, we have cited open-source materials wherever possible. We divide the case study into four sections. First, we outline the centre-locality relationship in general terms. Second, we show how Yunnan province and associated state-owned enterprises (SOEs) have been the key actors generating cross-border economic integration between China and Myanmar, largely to serve local state and private capitalist interests. Third, we identify the "dark side" of growing Sino-Myanmar interdependence, notably the rise of NTS threats and escalating social conflict within Myanmar, which culminated in a serious bilateral crisis in 2011. Finally, we explore Chinese attempts to manage these negative side-effects. At the local level this has involved extending the state's "governance frontier" into Myanmar to promote functional co-operation on piracy and drugs in particular. However, because the same socio-political dynamics and forces that drive economic co-operation with Myanmar are also shaping co-operation on NTS problems, this has actually exacerbated insecurity. We also consider Beijing's struggles to recentralise control over Myanmar policy, resulting in a major policy shift towards Myanmar – from non-interference to intervention in the Myanmar peace process. Overall, as the conclusion draws out, the Sino-Myanmar case suggests that BRI's outcomes – security and co-operation, or insecurity and discord – will be context-specific, shaped by the specific nature of development projects, China's state transformation processes and their intersection with local socio-political dynamics in participant countries.

The Insecurity-Development Nexus: Capitalist Development and State Transformation

In this theoretical section, we elaborate two key reasons why economic development does not necessarily yield security and inter-state co-operation: the inherently conflict-ridden nature of capitalist development; and state transformation dynamics. We argue that these two trends are interrelated but distinct, and both must be grasped to understand contemporary trans-boundary economic interactions.

Capitalist Development and Conflict

That capitalist development is conflict-ridden is so well established, particularly in the Marxist tradition of political economy, that it may seem hardly worth restating. However, dominant perspectives on development in the West, and indeed China, continue to downplay this insight. In the liberal tradition, the classical doctrine of the "harmony of interests" casts a long shadow, reflected in the current neo-liberal mantra that "a rising tide lifts all boats." The orthodoxy guiding contemporary international development agencies is the "new institutional economics" (NIE) (see Carroll 2010).

The NIE recognises conflictual interests and ostensibly embraces political economy analysis, yet still insists that clever institutional design can temper conflicts into stable and orderly development, which is understood as a general, "public good." The NIE thus casts resistance to "good" institutions as a sign of dysfunction, not legitimate grievances or political alternatives (Carroll 2010, 38–95; also see Hutchison et al. 2014).

Although statist developmentalism is often viewed, and self-described, as an alternative to Western development orthodoxy, it also seeks to depoliticise the development process and its outcomes. This is a particular imperative for the Chinese Communist Party (CCP), which is ideologically constrained to deny both the existence of capitalism in China and the class disparities and conflict that it inevitably breeds (Lai 2010). Discarding Mao's insistence that "contradictions" persisted under socialism, since 1979 the CCP has undergone painful ideological contortions to rationalise and respond to dramatic social change. As leading CCP cadres – nationally and locally – have used their privileged access to state resources, SOEs and land to become economic elites (see, for example, Lu 2000; Pei 2016), official references to "class" and "class conflict" have been practically eliminated (So 2013). The CCP has incorporated capitalists directly into the party-state through President Jiang Zemin's "three represents," which stated that the party must represent "advanced social productive forces", Chinese culture, and "the fundamental interests of the majority." This has legitimated the appointment of leading businesspeople to the National People's Congress and the National People's Consultative Conference, making it the world's wealthiest "parliament" (*New York Times*, March 1, 2018).

Chinese leaders and intellectuals have, of course, noted the potential social problems associated with capitalist transformation. President Hu Jintao's doctrine of a "harmonious socialist society," for example, recognises the existence of plural interests arising from China's development. Rather like NIE, however, it assumes that development is an overall public good, and that sound leadership can reconcile contending interests into a "harmonious" society (Blanchard 2008). Likewise, party-state scholars argue that there is no "simple linear relationship between economic development and social and political stability," but nonetheless maintain that "countries with higher levels of economic development are more likely to achieve social and political stability" (Wang and Hu 2010). Their analysis resonates with earlier modernisation theory, such as Huntington's (1968) *Political Order in Changing Societies*, which they cite, in arguing that rapid modernisation "will cause instability" but that, ultimately, "modernity will produce stability" (Wang and Hu 2010). The official Chinese remedy for modernisation's ills is thus more development, albeit coupled with top-down "harmonisation" of the contending interests arising therefrom. These clearly contrast with the classical Marxist tradition, which emphasises the irreconcilability of the interests of different social classes under capitalism.

Thus, as Zevson (2015) notes, the CCP has engaged in "the mass production and diffusion of 'harmonistic' social discourse…[which] seeks to stress the concordance…of positions, interests and aspirations across society. Conversely, it…minimizes or eschews altogether existing tensions and conflicts in economic, political, and cultural realms." This dogma found its external expression in Hu's slogan "harmonious world," which sought to legitimise the further "exten[sion of] Chinese economic influence overseas" (Zheng and Tok 2007, 10). It did this by emphasising "equality and mutual benefit" and assisting in "accelerating the development of developing countries" (Blanchard 2008, 169–70). This ideology reappears in the BRI, as shown above.

In reality, the CCP's capacity to mitigate the inherently conflict-ridden nature of capitalist development is limited domestically and perhaps especially internationally. At home, intensive development efforts targeted at restive provinces like Tibet and Xinjiang have clearly not produced societal "harmony" (Kiik 2016, 20–23). Land-grabbing and other forms of local state predation have also sparked widespread unrest (So 2013, 129–152). As Sargeson (2013) contends, far from being harmonious, urbanisation in China has been an intrinsically "violent" form of development. Urbanisation and proletarianisation have also sharpened industrial class struggle, which, while remaining largely disorganised and sporadic, has steadily mounted, forcing concessions on wages and welfare, and the legalisation of trade unions (Hui 2016, 13–19).

By the time President Xi Jinping took power in 2012, the legitimacy and sustainability of CCP rule were clearly being questioned, prompting a dramatic tightening of cadre discipline and efforts to tackle problems like industrial overcapacity, environmental degradation, and cadre corruption. However, even "strongman" Xi is struggling to make headway. In 2017, five years into Xi's rule, the Ministry of Environmental Protection published lists of local governments and companies violating its capacity reduction targets (*Yicai Global*, December 28, 2017). For instance, the CCP's *China Daily* reported that inspectors had uncovered "severe problems" in Tianjin city and Anhui and Shanxi provinces, citing "slack leadership" (*China Daily*, July 31, 2017). More recent media reports suggest that, in some cases, production has shifted to more remote sites to get around regulation (*Financial Times*, April 17, 2018).

Externally, Chinese SOEs are subject to even weaker supervision, resulting in routine violations of both Chinese and local laws and regulations (Jones and Zou 2017). The state-promoted outsourcing of agricultural production has offshored land-grabbing, fuelling local resentment (see Hofman and Ho 2012). The export of Chinese labourers – a remarkable 970,000 in 2016 alone – leads to competition and friction with local workers (MOFCOM 2017a). Chinese firms, often backed by cadre-capitalists in local governments, have also competed with local firms, damaged the environment, and fomented anti-Chinese sentiment (for example, Wong et al. 2013; Hess and Aidoo 2016). Thus, while China's overseas economic expansion, and associated aid and development financing, has undoubtedly benefited certain social groups – particularly privileged strata close to the regimes with which Chinese entities do business[1] – it has also harmed others, contrary to official "harmonious development" dogma. This is, of course, not unique to China; it is intrinsic to capitalist development.

State Transformation in China

Less well established in the literature on China's external economic relations, however, is the impact of state transformation, which is where this article makes its primary contribution. This process is intimately linked with capitalist dynamics, particularly "globalisation," but we contend that it is not merely epiphenomenal and requires analysis in its own right. We argue that the fragmentation, decentralisation and internationalisation of party-state apparatuses – driven initially by the shift from Maoist state socialist to state-led capitalism – has further exacerbated the problems associated with China's overseas economic expansion.

Scholarly concern with state transformation emerged from the 1990s debate over whether globalisation was weakening or strengthening the state (Sørensen 2004; Huber et al. 2015). Out of this "zero-sum" debate emerged more nuanced approaches emphasising the *transformation* of statehood as a more appropriate conceptualisation. Although there are diverse state transformation theories, drawing on different state theoretical traditions (see vom Hau 2015), all concur that, under globalisation, the number and diversity of state and non-state actors involved in global affairs has vastly increased since the 1970s. Central governments have shifted from a "command and control" model to "regulatory statehood," where executives mainly set broad goals and frameworks to steer a wide array of public, private and hybrid entities (Majone 1994). State power and authority have *fragmented* and *decentralised*, with many national and sub-national agencies enjoying greater autonomy, including in international affairs, dissolving the traditional foreign affairs and defence bureaucracies' duopoly (Jayasuriya 2004). As formerly domestic state apparatuses *internationalise*, some have joined their foreign counterparts in forming multi-level governance frameworks at new territorial scales (Slaughter 2004; Cerny 2010). In these more networked arrangements, authority no longer emanates from centralised, "Weberian" states, but is continually negotiated among different actors (Hooghe and Marks 2003). Decentralisation has enabled "para-diplomacy" by sub-national governments, which in some cases have become quasi-autonomous foreign-policy actors (Kuznetsov 2015). Some powerful states' agencies have even extended their "governance frontiers," intervening beyond their borders to manage trans-boundary challenges (Hameiri 2010, 46). These changes are always uneven and contested by socio-political forces and, hence, vary in extent and form worldwide (Poulantzas 1978; Jessop 2008).

Accordingly, while these state transformations are deepest in the West, they are nonetheless apparent elsewhere, including China, where they are shaped by very different socio-political dynamics (Dubash and Morgan 2013). Many IR and international political economy scholars depict China as *the* quintessential Westphalian state, supposedly offering "no viable alternative to the Cold War structure of international relations based on absolute sovereignty, non-interference and traditional power balancing" (Odgaard 2007, 216; see also Hameiri and Jones 2016, 74–78). This ignores an extensive literature in Chinese politics devoted to studying processes of state fragmentation, decentralisation and internationalisation since the onset of capitalist "reform" in 1978 (see, for example, Lieberthal and Oksenberg 1988; Goodman and Segal 1994; Zheng 2004). These processes are a central part of China's "reform and opening up"; that is, its contested shift from Maoism to capitalism.

Subject to endless piecemeal restructuring, central state agencies have reduced in size, and decision-making authority has become *fragmented*, overlapping and incoherent. Many small and medium-sized SOEs have been privatised, while larger ones have been consolidated and "corporatised" – remaining formally state-owned, but now largely autonomous, self-financing capitalist enterprises, some accountable to foreign shareholders. Chinese reformers have also *decentralised* considerable authority to sub-national governments to facilitate pro-market experimentation and development. Over time, "*de facto* federalism" has emerged, with extensive centre-local bargaining throughout the policy formation and implementation process (Zheng 2007). Typically, local governments seek to capture national resources and support for their particular agendas, which usually prioritise local economic development, while evading deleterious central policies. Meanwhile, central party-state managers seek to rein in subordinate cadres and enforce their writ. The current recentralisation drive under Xi is simply the latest move in this ongoing tug-of-war – with evidence emerging that, where possible, local actors are still evading central policies harmful to their interests, including in foreign affairs (for example, Naughton 2017, 40–43; Long 2016; Zhang, Zhang, and Liu 2017).

This draws attention to party-state apparatuses' *internationalisation*, as formerly domestic agencies increasingly acquire an international role. Provincial governments now control their foreign economic relations, signing treaties as far afield as Africa to promote local business interests (Chen and Jian 2009; Li 2014). Corporatised SOEs have been encouraged to "go out," becoming major global actors with limited central government oversight (Jones and Zou 2017). National regulators have joined transnational regulatory bodies, collectively governing issues like global banking (Brehm and Macht 2004). Chinese law enforcement agencies have extended their reach transnationally to manage NTS issues like piracy and narcotics, sometimes becoming embroiled in local or international conflicts (Su 2015, 72–82). The BRI will intensify internationalisation because it exhorts virtually every state and civil society agency to engage in international co-operation (NDRC, Ministry of Foreign Affairs and Ministry of Commerce 2015, sections IV–V). Compared to the Maoist era, when "tight central control over foreign affairs at all levels was maintained" (Cheung and Tang 2001, 93), state transformation clearly creates the potential for poorly co-ordinated foreign and security policy (Hameiri and Jones 2016, 81–90). The Ministry of Foreign Affairs (MFA), always a weak agency, is frequently bypassed by stronger rivals and has no real authority to co-ordinate the now vast range of actors involved in China's foreign relations.

Four decades of state transformation have produced a "Chinese-style regulatory state," where central party-state managers largely seek to steer a wide range of actors towards desired ends, rather than controlling their behaviour and outputs in detail (Jones Forthcoming). First, top leaders, like the president, the Politburo and its Standing Committee, the State Council and national ministries, issue broad policy guidance through speeches and policy documents. Reflecting the diverse, competing interests in the party-state, these are typically vague, providing "atmospheric guidance" but requiring extensive, lower-level interpretation (Norris 2016, 52). Second, bodies seek to co-ordinate the many fragmented, decentralised agencies involved in particular issue areas, notably via "leading small groups" of the Politburo or State Council. This is often ineffective, even under Xi. Currently, 83 "leading small groups" exist at the national level alone, many of which overlap (Johnson Kennedy, and Qui 2017). The result is continued "erratic" policymaking, inconsistency and non-implementation (Naughton 2017, 43). In May 2018, a super co-ordinating mechanism, the Foreign Affairs Commission, was established within the CCP Central Committee explicitly to enhance centralised control over foreign policymaking and implementation. While it is too early to evaluate its efficacy, the commission's establishment clearly shows the top leadership is aware of the extent of China's co-ordination problem. Third, central agencies may retain discretionary control of regulations, licenses, permits and finance. Where subordinates need these resources to implement their agendas, this at least constrains them to present themselves as enacting national policy in some way – though, in practice, they enjoy considerable latitude (see, for example, Holbig 2004). Finally, and most importantly, the CCP uses its powers of appointment, appraisal and discipline to promote lower-level cadres' compliance. This may discourage officials from going too far off-piste, particularly during periods of intense scrutiny, such as Xi's anti-corruption drive. Studies of these systems show mixed success (Herberer and Schubert 2012; Mei and Pearson 2014; Ahlers and Schubert 2015), with Zhou (2010, 189–190) concluding that "so long as local governments have good economic achievements, they will not be punished severely for violating policies and regulations."

These processes of state transformation are important for the emergence and ongoing management of China's cross-border economic relations, where they clearly intersect with the conflict-ridden dynamics of capital accumulation described earlier. Rather than simply being a product of central government strategy or doctrines like a "harmonious world," cross-border economic engagements are often loosely co-ordinated at best and are driven by a wide range of actors and interests at multiple scales within the Chinese party-state. These actors often have different interests and agendas, producing apparently incoherent behaviour, which may exacerbate conflict-generating processes of capitalist development.

Local, especially provincial, governments are crucial here. Decentralisation of economic policymaking, and the internationalisation of local economies, have been promoted to facilitate China's "reform and opening up," reflecting the intimate connection between state transformation and the promotion of economic competitiveness (Cerny 1997). These reforms have also given local governments enormous license for policy experimentation and "trial and error" (*People's Daily*, November 28, 2016). Accordingly, China's local governments have developed "regional styles of capitalist development that remain distinct from one another, and deeply networked into a range of [different] global production networks, and 'offshore' economies" (Zhang and Peck 2016, 52). This is reflected in the diverse regional projects that Chinese provinces pursue, including Liaoning's Greater Tumen Initiative (incorporating North and South Korea, Mongolia, Russia and Japan), and the Greater Mekong Sub-region (GMS), where Yunnan province and the Guangxi Autonomous Region are China's lead participants, co-operating with Cambodia, Laos, Myanmar, Thailand and Vietnam. Belying its apparently novelty, the BRI largely just corrals these pre-existing local schemes under a new brand (Summers 2016; Jones and Zeng 2017). Despite their burgeoning international role, however, provincial governments are driven primarily by local economic agendas, having "almost no knowledge of the diplomatic landscape and little interest in promoting the national foreign policy agenda" (ICG 2012, 14). The same is true of China's lightly regulated global SOEs, which prioritise profit and frequently violate Chinese and local laws and regulations (Jones and Zou 2017, 747–750).

Accordingly, the nature and political consequences of China's cross-border engagements depend less on central government *diktat* than the interests and agendas of the particular actors involved in given contexts, and their interrelations, including, crucially, with social groups in other countries. For example, in a study of Sino-North Korean relations, Gray and Lee (2018) show that cross-border economic interactions have primarily been driven by neighbouring Chinese local governments and private enterprises. As labour unrest pushed up wages inside China, garment manufacturers have offshored production to North Korea, while mineral and labour imports have also flourished. Importantly, this engagement has continued even as Beijing has hardened its stance towards Pyongyang, backing United Nations (UN) sanctions. They conclude that, as a result of capitalist development and decentralisation, bilateral relations are now "characterised by multiple and at times contradictory goals" (Gray and Lee 2018, 128).

Although this complex, multi-actor, multi-scalar interaction may promote better security outcomes and improved bilateral relations, in many cases it does not. For example, local governments have supported Chinese businesses engaged in illegal extractive industries in Africa, violating Chinese and local laws and creating serious diplomatic fallout (Hess and Aidoo 2016). Similarly, SOEs have been involved in numerous scandals, creating bilateral tensions with host states in Africa and Asia (see Gill and Reilly 2007; Jones and Zou 2017). They have also violated UN sanctions regimes to which Beijing has formally subscribed, generating friction between China and other major powers (for example, Zhang 2013; *Washington Post*, April 13, 2017). Central agencies, particularly the weak MFA, often react *post hoc* to repair frayed international relations and rein in wayward actors, with limited success.

Importantly, these negative effects are likely to be exacerbated in China's engagements with other developing countries, for three reasons. First, China's fragmented economic governance system may be compensated for to some extent by more robust processes elsewhere. China's regulation of its enterprises operating overseas relies heavily on encouraging respect for host-state regulations. However, developing countries' regulatory apparatuses are often badly organised, poorly resourced, and routinely subject to political interference, making this approach something of a fig leaf. Although developed countries are hardly immune from these problems, they are more likely to curb the worst excesses of Chinese investment practices, or at least compensate their victims in ways that contain social conflict. Second, developing economies offer opportunities where development is particularly conflict-prone, notably around natural resources and land. Conversely, Chinese investment in developed economies tends to involve mergers and acquisitions, finance, and real estate. While such investments can be highly controversial, they rarely breed the societal unrest seen around land-grabbing and extractive industries, for example. Finally, levels of poverty and inequality, coupled with weak systems of political representation, contribute to greater socio-political instability in developing countries. The outcome of any Chinese economic engagement will turn heavily on how the particular Chinese actors involved interact with such social, economic and political conditions.

Sino-Myanmar Relations and State Transformation

We now proceed to examine Sino-Myanmar relations to demonstrate how China's state transformation dynamics and the rapacious form of capitalist development pursued by sub-national actors have undermined security in the borderlands and damaged interstate relations, contrary to top leaders' expectations. The Myanmar case demonstrates these dynamics particularly well because the three factors that exacerbate the impact of Chinese investment in developing countries (poor governance; concentration on natural resource exploitation; and pre-existing socio-political conflict) are all strongly present. During the case study period, Myanmar was ruled by a military junta (1988–2011). Military elites looked to China for political and economic sustenance, enriching themselves in the process and further undermining the weak, corrupt bureaucracy's capacity to regulate Chinese investments effectively. Myanmar's economy has also never escaped the "underdevelopment trap," continuing to rely heavily on natural resource exports (Jones 2017). And Myanmar is home to the world's longest-running ethnic conflicts, as well as struggles between the army and pro-democracy reformers. Far from soothing these pre-existing tensions, Chinese economic engagement has enflamed them.

Below, we, first, outline the centre-locality relationship in this case in general terms, showing how Yunnan's provincial government and associated SOEs have been the key actors generating cross-border economic integration between China and Myanmar. Second, we demonstrate the resultant emergence of a development–insecurity nexus in the Sino-Myanmar borderlands. Third, we show how China's transformed party-state has tried to manage this dark side of interdependence, in ways that, reflecting the specific forces at work, have sometimes exacerbated problems.

Going Out: How Actors in Yunnan Created Sino-Myanmar Interdependence

Reflecting China's state transformation, Sino-Myanmar interdependence has largely been cultivated by local actors in Yunnan province, which borders Myanmar. Yunnan is one of China's most remote, under-developed provinces. Ethnic minorities with kinfolk in Myanmar comprise one-third of the population. China's top leaders have encouraged Yunnan, like other provinces, to experiment in the quest for economic growth, including by engaging with neighbouring countries. Reflecting the Chinese-style regulatory state, Yunnan is permitted to adapt central policies to local circumstances and autonomous ethnic-minority prefectures enjoy even greater policy latitude (Li 2017). Yunnanese officials have constantly pushed the bounds of the acceptable, claiming that local poverty reduction requires ever more "innovative" and "flexible" approaches; as one former provincial leader reveals, this has included implementing policies without Beijing's approval (Zhao 2014). The result has been recurrent centre-periphery conflict: since 2001, three secretaries of Yunnan's provincial CCP Committee have been purged for disloyalty and dishonesty towards Beijing. Much of this conflict has concerned Yunnan's relationship with Myanmar.

Yunnan's engagement with Myanmar reflects the aforementioned shifts in political economy and statehood in post-1978 China. Under Mao, Sino-Myanmar relations were fraught. Myanmar's borderlands, populated by ethnic minorities, experienced separatist and communist insurgencies throughout the Cold War, with the CCP directly aiding the Burmese Communist Party (BCP). Meanwhile, Yunnan – historically a restive region better integrated with Southeast Asia than China – had its border sealed and was redirected "inwards," as part of Mao's centralisation drive. However, with China's capitalist reforms, the situation changed. In 1989, the CCP abandoned the BCP, which dissolved into ethnic-minority militias, most of which subsequently signed ceasefire deals with the Myanmar government. This enabled Yunnan's provincial government to become the primary Chinese agency dealing with Myanmar for the first time. This role was cemented by Yunnan's designation as China's lead representative in the GMS, a sub-regional integration project launched by the Asian Development Bank in 1992.

Accordingly, sub-national administrative units in Yunnan pioneered China's rapprochement with Myanmar, focusing on promoting local businesses' cross-border expansion. As early as February 1985, the Dehong Autonomous Prefecture government – whose jurisdiction includes 800 of the 1,997 kilometre Sino-Myanmar border – established a special border trade zone, without Beijing's authorisation. In March, Yunnan province extended the zone's tax breaks to 26 border cities and counties (Ying and Wang 2009, 87–112). Yunnan's Export-Import Corporation signed border trade deals directly with Myanmar's trade ministry in 1988 (Kudo 2010, 271). In 1990, Yunnan established four "border economic cooperation zones." It was not until 1996 that China's State Council approved the tax exemptions (State Council 1996). Yunnan also opened commercial offices in Naypyidaw, Lashio, Mandalay and Myitkyina, another policy only subsequently endorsed by the State Council (2017).

Yunnan's sub-national activism was subsequently encouraged by two regulatory-state-style national schemes: the GWD campaign, launched in 2000, and the BRI, launched in 2013. The GWD's dynamics reflect the state transformation processes described earlier. It was launched in response to bottom-up lobbying for resources from under-developed western regions, including Yunnan. It also reflected the central government's efforts to address peripheral underdevelopment through large-scale injections of state funding for infrastructure projects (Cai 2017, 6). However, GWD was never a top-down, well-articulated strategy, but rather a "soft," "amorphous" and "highly diverse set of agendas and instruments" whose practical realisation "depends to a great extent on the specific interpretations…of the provincial jurisdictions" involved (Holbig 2004, 335–336). After GWD was launched, provincial actors sought to capture the benefits, lobbying for funding, investment, infrastructure and policy concessions via personal networks, national working conferences, the National People's Congress (NPC) and the CCP Congress (Holbig 2004, 350–352). Although GWD funding has certainly enriched particular interests, it largely failed to reduce regional inequality, with western provinces' share of Chinese gross domestic product only increasing from 17.1% to 18.7% from 2000 to 2010 (Cai 2017, 6). Nonetheless, BRI essentially scales up GWD, mostly aggregating pre-existing provincial plans into a loose policy envelope, which sub-national and corporate actors can interpret and exploit (Summers 2016; Jones and Zeng 2017).

Accordingly, Yunnanese and allied politico-business interests have played a pivotal role in shaping the *specific* form of cross-border economic relations that have emerged between China and Myanmar, including by harnessing national resources available through GWD and BRI. Given Yunnan's relative economic backwardness, this has primarily involved the promotion of state-linked extractive industries, construction, and agriculture, which, as we shall see, has generated a particularly rapacious form of capitalist development, exacerbating pre-existing societal conflicts in Myanmar. Reflecting the local power of state-linked construction companies, Yunnan has lobbied endlessly for money to support trans-boundary infrastructure projects, large and small. China has provided aid to upgrade Myanmar's border posts to facilitate trade, while Yunnanese counties have spent over $26 million upgrading cross-border roads (*Yunnan Web*, January 6, 2009; Myoe 2011, 165–166). As part of a Trans-Asia Railway Network, instigated in 2001, a provincial SOE, Kunming Railway Bureau, is supervising the construction of a 690-kilometre railway linking Kunming, the provincial capital, to Ruili, a border town, investing RMB18.3 billion ($2.89 billion) by 2017 (*China News*, July 6, 2017). Yunnan has also proposed an ambitious project to link Kunming to Yangon via the Irrawaddy River. Work started in 2016, with Longchuan County signing a RMB2.5 billion ($394 million) contract to build the connecting road to Bhamo (Yang 2016). Provincial authorities have also drawn in major national SOEs. In 2011, China Railway Group signed a $20 billion contract to build a railway linking Yunnan to the Bay of Bengal.[2] By 2011, Yunnan had attracted RMB250 billion ($38.5 billion) of central government funding for trans-boundary infrastructure, securing another RMB500 billion ($79.4 billion) for the 2011–2015 period (*South China Morning Post*, November 19, 2011; *China Daily*, January 6, 2011).

These projects are mostly the brainchild of local governments and specific SOEs, illustrating how, under conditions of state transformation, the actions of ostensibly junior party-state actors are actually critical in determining the precise form cross-border economic integration assumes. This is best illustrated by the $4.3 billion oil and gas pipelines that now link Yunnan to Myanmar's west coast. The scheme was first devised by Yunnanese academics, then put to the central government in 2003 by Yunnan's governor and the national SOE, China National Petroleum Company (CNPC), accompanied by lobbying in the NPC and CCP Congress (*Southern Metropolis Daily*, July 31, 2013; *China Economic Review*, May 2, 2017). Both actors were self-interested: CNPC was seeking profitable foreign markets, while Yunnan wanted cheaper hydrocarbons and to boost its petrochemicals industry. Initially, the National Development and Reform Commission (NDRC) rejected the scheme as unfeasible. However, in 2004, President Hu began expressing concerns about China's "energy security." CNPC and Yunnan's governor astutely repackaged the pipelines as addressing this agenda, winning approval in 2006. In reality, the pipelines transport under 2% of China's imported oil (Huang 2018; You 2018). The real benefits flow to the local government and enterprises involved.

As Yunnan's economic reach has extended into Myanmar, so too has its governance frontier, reflecting the dialectical relationship between capitalist development and the internationalisation of state apparatuses (Glassman 1999). Institutions developed by Yunnan to manage new cross-border economic networks include the Yunnan-Myanmar Economic and Trade Co-operation Forum, a joint Commission for Trade and Technology, and the annual Sino-Myanmar Border Economic Trade Fair (*Yunnan Daily*, June 8, 2007; *Yunnan Daily*, August 20, 2013). Such institutions have helped to develop cross-border co-operation zones, improve customs clearance, initiate agricultural co-operation, and promote tourism (*Yunnan Daily*, August 20, 2013). After providing aid to Myanmar and Laos to dredge the Mekong River, Yunnan also established a transnational network to regulate this new export route to the Pacific – the Joint Co-ordination Committee of Mekong Commercial Vessels and Sailing (Lu 2003). Most recently, in 2017 Yunnan proposed establishing a 1,320km^2 territory under joint Yunnan-Myanmar administration, drawing on the experience of the Ruili-Muse border trade zone (Dehongzhou 2008; MOFCOM 2017b).

Activity driven by or through Yunnan has produced substantial cross-border integration and interdependence, revealed in basic economic statistics. From 1980 to 2015, Chinese exports to Myanmar via Yunnan increased from $129 million to $16.2 billion, while imports rose from $14 million to $7.9 billion (Yunnan Statistics Bureau 2016, 105). By 2015, Yunnan accounted for 15% of Chinese exports to, and 42% of Chinese imports from, Myanmar (Kunming Customs District 2016). Consequently, Yunnan and Myanmar are now each other's largest trading partners (*Yunnan Xinxi Bao*, January 19, 2018; Lu, Fei, and Mao 2018). In Dehong, the gateway for 41% of Chinese and 82% of

Yunnanese trade with Myanmar, nearly all border trade is transacted in renminbi, which has replaced the Myanmar kyat in much of the borderlands (*China Economic News Service*, July 28, 2017). By May 2017, 64.2% of Yunnan's $7.85 billion overseas investment stock was in the GMS, much of this in Myanmar (*Yunnan Gateway*, May 2, 2017). Clearly, by internationalising their activities, Yunnan's provincial government and associated SOEs and private companies have "re-territorialise[d] economic space [such] that [it] no longer maps onto conventional notions of Westphalian statehood" (Tubilewicz and Jayasuriya 2015, 189). Reflecting the Chinese government's official doctrine on such integration, Chinese analysts have praised this "local internationalisation" for creating "interdependence" that, by diminishing provincial demands for "defence and security," strengthens international peace (Su 2011, 353–354).

The Development–Insecurity Nexus: The Dark Side of Cross-border Economic Integration

In reality, however, Yunnan's economic expansion into Myanmar has generated seriously negative consequences for local societal groups on both sides of the border, plus an eventual crisis in inter-state relations. This is directly linked to both the type of capitalist development being pursued, which foregrounds mega-projects and extractive industries, involving accumulation by dispossession. It also reflects the impact of state transformation, which has empowered local governments to undermine or distort central efforts to manage these problems.

The crucial context here is that ethnic-minority resistance groups (EMRGs) control much of Myanmar's borderlands. Since 1988, Myanmar's government has sought to pacify EMRGs through coercion, ceasefire agreements, development spending and "ceasefire capitalism" – joint ventures between business, ethnic-minority and military elites (Woods 2011a). This has stabilised some areas, but a lasting settlement resolving ethnic-minority grievances remains elusive. The benefits of ceasefire capitalism have accrued overwhelmingly to military elites, their business "cronies," EMRG leaders, and foreign investors, notably from China and Thailand. Conversely, many ordinary borderlands residents have seen scant benefit, generating increasing resentment and unrest (Jones 2017, 184–189).

Yunnan's cross-border engagement has contributed to rising social unrest and bilateral tensions in three ways. First, it has exacerbated NTS challenges, notably drugs and transnational crime. Opium trafficking has sustained rebel activity since the 1940s. Although Yunnan suppressed drug cultivation and trafficking in the mid-1950s, its subsequent re-engagement with Myanmar has enabled a vast influx of drugs and a related epidemic of infectious disease and crime. China now has 3.9 million officially registered, and perhaps 15 million unregistered drug addicts, while an estimated 850,000 Chinese have succumbed to HIV/AIDS (*Xinhua*, November 30, 2016; *Xinhua*, January 8, 2017). Almost all of China's opiates and methamphetamines enter via Yunnan from the "Golden Triangle," particularly Myanmar (*Xinhua*, March 27, 2017; NNCC 2017). The Ministry of Public Security (2016) reports that Yunnan had 201,000 registered addicts by 2016, though the reported arrest of some 100,000 drug dealers from 2011 to 2015 alone suggests a far larger problem (*China Youth Online*, June 21, 2016).

Other major NTS issues, including piracy and transnational crime, are closely related to drug-trafficking, and state transformation undermines efforts to address them. Most notoriously, in October 2011, 13 Chinese sailors were tortured and killed after a Myanmar drug gang hijacked their vessel on the Mekong, causing a major outcry in China. The establishment of casinos along the border – initially, in the 1990s, by ethnic-Chinese from Yunnan and Myanmar, then later by some EMRGs – has also created hives of organised crime (Luo 2011, 101–106). At its peak, the gambling industry in just one border town, Mongla, reached circa RMB40 billion ($4.83 billion) annually (*Asia Times Online*, 16 November, 2003). By the early 2000s, Chinese visitors were regularly detained, tortured or even killed over their gambling debts. But, despite police exhortations, Yunnan's authorities resisted suppressing the casinos, because local tourist, electricity and telecommunications firms benefited substantially from their business, and some officials saw gambling as a viable development strategy for the Myanmar borderlands (*Sohu News*, January 26, 2005; Chuang 2005). Only when the national People's Armed Police intervened, in the mid-2000s, were these rackets tackled through a combination of cross-border raids and the severing of power supplies. Though casinos continued to operate less profitably, much of the illicit gambling industry subsequently moved online. More recently, however, casinos are again thriving in Myanmar, with operators reportedly assisting Chinese citizens to evade police checks and enter Myanmar illegally along the long, porous border (*Beijing Youth Daily*, January 23, 2018).

Second, and more generally, given the nature of Yunnan's economy, Chinese investment and trade have concentrated Myanmar's economic development in extractive sectors, fuelling accumulation by dispossession that exacerbates grassroots grievances. Export-oriented investments in hydrocarbons, logging, hydropower, mining and agriculture have frequently involved land-grabbing and environmental degradation; used imported Chinese labour, fuelling local resentment; and have been associated with social problems like drug addiction, particularly in mining towns. The hydrocarbons pipelines are a good example. Their construction required extensive land requisition, involving forced displacement, while 13,200 Myanmar soldiers have been stationed along its route to provide security (Steinberg and Fan 2012, 178). Similar land-grabbing and militarisation accompany Chinese hydropower projects (Mang and Yan 2013). This has generated grievances that have increasingly undermined local ceasefires with EMRGs (Brenner 2015).

Third, and related, despite bilateral agreements between the two national governments to suppress cross-border smuggling, an estimated RMB90 billion ($14.6 billion) in illicit trade transits the Yunnanese border annually, helping to sustain EMRGs (China Internet Information Center 2014). Again, this is fuelled in part by state transformation, with the emergence of contradictory interests and agendas at the central and local levels in China. For example, in 2006 Naypyidaw and Beijing agreed to ban cross-border trade in timber to squeeze the revenues of EMRGs controlling or "taxing" this traffic, with Yunnan's provincial government ostensibly pledging its support (Woods 2011b, 489). Yet, in 2013, an estimated 94% of China's timber imports from Myanmar came through Yunnan (State Forestry Administration 2015). Although demand throughout China drives this trade, Yunnanese timber companies – backed by local officials – are actively involved in logging (Pintu Media 2015). For similar reasons, since the mid-2000s, the Myanmar government has sought to re-route jade exports from the border to annual auctions in Naypyidaw (US Embassy 2006). However, citing industry informants and Chinese customs data, Global Witness (2015, 24) estimates that 50% to 80% of jade "is smuggled straight over the Chinese border." Again, Yunnanese firms are actively involved, and Yunnan is a major centre in China's jade industry (Hui 2005). Some revenue from such illicit trade – estimated at tens of billions of dollars annually – undoubtedly accrues to corrupt military and business officials in Myanmar, but some also sustains EMRGs like the Kachin Independence Organisation (KIO).

Particularly given the bulky commodities involved, such large-scale smuggling could not occur without Yunnanese authorities' connivance. Myanmar has repeatedly urged China to cease trading with its EMRGs, and Beijing has repeatedly agreed, but Yunnan has persistently prioritised local economic interests over international diplomacy. In March 2006, for example, Naypyidaw and Beijing agreed to seal the Nam Hka border crossing, outraging local traders. Yunnan simply re-opened the crossing in November 2007, when the centre's attention moved elsewhere (Black and Davis 2008, 6). Similarly, "some county authorities in Yunnan province and some Chinese companies have signed natural resource exploitation agreements with [Myanmar] ceasefire groups…even though China's central government forbids it" (Li 2010, 127). Yunnan has also failed to enforce its own regulations requiring Chinese logging firms to obtain Myanmar government licenses, allowing them to operate in the borderlands with impunity (see Yunnan Government 2006; Tanzhen 2015). This reflects the emergence, through state transformation, of economic interests and agendas that clash with national foreign policy goals, and the weakening of central authority over trans-boundary relations.

The conduct of local politico-business actors precipitated a full-scale crisis in bilateral relations in 2011. The focal point was the $20 billion Irrawaddy Hydropower project, which involved building seven dams in Myanmar's Kachin state, overseen by the Yunnan subsidiary of China Power Investment, a major SOE. Backed by Yunnan, China Power Investment violated many Chinese and Myanmar regulations, including those relating to environmental and social protection (Jones and Zou 2017, 751–754). The proposed dam at Myitsone caused particular outcry among the Kachin ethnic minority, who regard the site as culturally sacred. This played into mounting dissatisfaction with the existing KIO leadership, which had been seen to benefit from "ceasefire capitalism" at ordinary Kachins' expense. Backed by Kachin civil society, a younger generation of cadres took control over the KIO and ended its ceasefire with the Myanmar government in 2011 (Kiik 2016; Brenner 2015). Kachin-led protests against the dam also broadened after 2010, drawing support from the majority-ethnic Bamar. In response, Myanmar's President, Thein Sein, suspended the project in 2011.

This plunged bilateral relations into deep crisis. Renewed fighting directly imperilled major Chinese investments like the pipelines and the Dapein hydropower dam, around which KIO-government clashes were heavily concentrated, as well as future investment projects. Chinese investment collapsed from $1.5 billion in 2010 to just $70 million in 2014 (ASEAN Secretariat 2015). Chinese commentators widely lamented Myanmar's "loss" to the West (Sun 2012). Myanmar's renewed civil war also pushed over 100,000 refugees into China, with the Myanmar army firing artillery across the border on several occasions (*The Paper*, January 22, 2015). Mounting domestic outrage created pressure on Beijing to intervene (Han 2017).

Clearly, the trans-boundary infrastructure and economic flows fostered by Yunnan's engagements in Myanmar do not merely carry the positive consequences anticipated by Chinese leaders and Western Liberals. Rather, reflecting the specific interests involved on both sides, and the considerable latitude China's state transformation has afforded Yunnan province to pursue local economic agendas, it has contributed to growing insecurity and disorder in Myanmar's borderlands, and NTS threats within China. It has also generated significant bilateral diplomatic friction and crisis, instead of improving Sino-Myanmar relations.

Rescaling the Chinese State to Manage Trans-boundary Threats and Interstate Friction

Local interests and state transformation dynamics have also shaped the response to these problems. First, Yunnan province further extended its "governance frontier" into Myanmar to tackle NTS problems. However, this functional co-operation has not enhanced peace but rather further undermined it, reflecting the politico-business interests shaping it. Second, after the 2011 crisis, the MFA has tried to re-centralise control over China's Myanmar policy to deal with the "blowback" created by Yunnanese and SOE antics. This has led the Chinese government to change its earlier policy of non-interference in Myanmar's internal affairs and engage directly to help facilitate peace negotiations between the government and ethnic rebel groups. Both actions refute Chinese leaders' and stereotypical IR depictions of China as a "staunch guardian…of the principle of national sovereignty" (Flemes 2013, 1017), as well as culturalist tropes about China's "Confucian disposition towards non-interventionism" (Shi and Huang 2013).

As noted earlier, state apparatuses' fragmentation and decentralisation is often followed by their internationalisation, and this is clearly apparent in Yunnan province's case. Apparatuses originally created for domestic purposes have internationalised to deal with the NTS issues originating in Myanmar. For example, Yunnan's police department now heads a regional network for tackling drugs, piracy and transnational crime. Since 1993, Yunnan's police academy has collaborated with the UN Office on Drugs and Crime to train over 1,000 counter-narcotics officers from neighbouring states (Guo 2007, 63). Yunnan's police have also established ten international liaison offices in neighbouring Golden Triangle states, staging 267 bilateral meetings and 173 joint cross-border raids that collectively netted over 4,200 kg of drugs from 2011 to 2015 (*CCTV*, June 20, 2017; *Wenhui Daily*, June 20, 2016). EMRGs, under pressure from the Myanmar government to abandon drug-trafficking, also signed opium eradication agreements with Yunnan's officials. Additionally, Yunnanese technocrats have trained their counterparts and undertaken remote sensing. Following the 2011 Mekong piracy incident, the water division of the Yunnan Armed Police has also been internationalised. From an operations centre in Guanlei, a 200-strong Chinese force now co-ordinates anti-piracy efforts along the Mekong, initiating intelligence sharing, with 60 Chinese-led, multinational patrols by mid-2017 (Zou, Sun, and Yang 2011; *Xinhua*, 31 July, 2017).

Yunnan has coupled this law-enforcement approach with a preventive strategy of opium-substitution projects. Yunnan's Menghai County began this on a small scale in Mengla, Myanmar, in the early 1990s (*The Paper*, June 27, 2017). This approach gradually spread province-wide. Local efforts were boosted by President Hu's declaration of a "people's war on drugs" in 2004. The governance of this policy displays the Chinese-style regulatory state model. Reflecting China's state fragmentation, 18 national-level ministries had some role in drugs policy and so a "122 workgroup" was established to co-ordinate them. This merely established broad guidelines and a target to reduce opium cultivation by 66,670 hectares during 2006–2010 (Shi 2008, 27; Su 2015, 79). The centre also allocated funding but left concrete policy formation and implementation to Yunnan.

This generated functional co-operation whose results again confounded Chinese government and Liberal expectations. For both, trans-boundary problems demand – and, from a functionalist perspective, are often seen to generate – international co-operation, leading to peaceful, non-zero-sum outcomes. However, in this case, it generated more conflict, because state transformation enables local authorities to harness national policies to local politico-business interests, thereby distorting their practical implementation. After the "people's war on drugs" was declared, Yunnan successfully lobbied the Ministry of Finance for funds, spending RMB1.94 billion ($251 million) on counter-narcotics activities from 2005 to 2007 alone (Yunnan Finance Bureau 2009). Reflecting decentralisation, this money was allocated to Yunnan's Department of Commerce, which became "virtually home to all opium replacement projects" in China's near abroad (Shi 2008, 23). Reflecting its commercial orientation and ties to powerful business interests, the department largely used the funds to subsidise the expansion of Yunnanese agribusiness into the Golden Triangle under the cover of opium-substitution.

This has largely replicated the destructive effects of other Yunnanese engagements. Manifesting typical dynamics of accumulation by dispossession, large-scale Chinese plantations have been established via land-grabs backed by military and/or EMRG leaders, displacing and proletarianising many smallholders. Typically, Chinese firms provide agricultural inputs and pay wages (and/or use forced labour), and take two-thirds of the profits, while EMRGs "tax" the agricultural commodities exported to China (Kramer 2009, 7–9). As with Chinese investment more broadly, the benefits largely accrue to local power-brokers in Myanmar and foreign investors – here, the subsidised Yunnanese agribusinesses (TNI 2011). The process for distributing subsidies and other inducements is "ridden with cronyism and corruption," with the quasi-privatised provincial SOE, Yunnan Farms Group, reportedly the prime beneficiary (Shi 2008, 27–28). Conversely, ethnic-minority farmers complain of Chinese "intervention" to stop them growing opium without providing viable alternatives (Li and Lye 2009, 280). One activist declares: "it is not opium substitution, it is colonialism" (Su 2015, 80). Independent assessments find that Yunnanese schemes have been "disastrous for farmers," with poor harvests, growing indebtedness, landlessness, and food insecurity driving many to resume opium cultivation (ICG 2009, 41). Moreover, these projects have not affected the production or trafficking of methamphetamines, which have long overtaken opiates as the main driver of China's drug epidemic.[3] Thus, the "people's war on drugs" has been rendered ineffective, captured by local politico-business interests within China's decentralised party-state.

A second form of state transformation in response to the negative impact of Sino-Myanmar economic integration is the MFA's attempt to recentralise control over

China's Myanmar policy since 2011. Following the resumption of civil war in northern Myanmar, the MFA was forced to abandon China's longstanding policy of non-interference in Myanmar, intervening to try to promote a peace settlement. An MFA special envoy brokered the first-ever multiparty negotiations between the Myanmar government and the KIO in early 2013, with a Chinese- and UN-backed truce signed in May. However, fighting continued in the Kachin, Shan and Kokang regions, displacing refugees into China again in 2015. Accordingly, Beijing has remained involved in Myanmar's wider peace process, cajoling recalcitrant groups to sign a "national cease-fire agreement" (*Kokang123*, 15 March, 2017).

Yunnanese co-operation with this new policy has not always been forthcoming, resulting in significant centre-periphery tensions. The Yunnanese government's instinct to prioritise business interests over bilateral diplomatic ties remains strong. For example, in 2015, Myanmar cracked down on illegal Yunnanese logging interests, making mass arrests and seizing equipment, costing firms RMB350 million ($45.3 million) (*Phoenix Weekly*, August 15, 2015; *Xinhua*, July 22, 2017). The affected companies appealed to Kunming for help. Yunnanese officials and media helped whip up nationalist sentiment, eventually forcing Beijing to appeal for clemency via the China-Myanmar Friendship Association (EIA 2015, 16–18; Tanzhen 2015). Also in 2015, Yunnan's provincial party secretary was forced to deny reports that Kunming had been used by Peng Jiasheng, head of the Myanmar National Democratic Alliance Army, as a base from which to relaunch armed conflict in Myanmar (*Irrawaddy*, March 9, 2015). Even under "strongman" Xi Jinping, then, reasserting central control and policy consistency has not been easy. Indeed, reining in Yunnan has required the full force of CCP disciplinary mechanisms. In 2016/17, a CCP Central Committee Commission for Discipline Inspection team targeted Yunnan, uncovering extensive abuses including repeated failures to implement central government policies (CDI 2017). The Commission for Discipline Inspection also investigated China Power Investment, the company behind the Myitsone dam, uncovering extensive malfeasance in its Yunnan subsidiary and purging its senior management. National regulators have also tightened the rules governing overseas investment (Jones and Zou 2017, 754–755).

Chinese responses to the insecurity created by economic engagements across the Sino-Myanmar border thus reflect ongoing struggles within a transformed party-state. Disaggregated state entities vie to extend their power, authority and resources, even beyond their formal territorial jurisdiction, while central state agencies struggle to regain power and authority.

Conclusion

China's massive BRI is premised on the idea that deepening cross-border integration will enhance both security and inter-state co-operation. Both assumptions have been confounded in the important case of Sino-Myanmar relations. We have explained these perverse outcomes by highlighting the conflict-ridden nature of capitalist development, and the intersection of this with China's state transformation processes – the contested and uneven fragmentation, decentralisation and internationalisation of state apparatuses. In the Sino-Myanmar case, economic integration has clearly emerged via sub-national state and business activism, sometimes harnessing national initiatives and resources and sometimes violating national policies. The nature and consequences of cross-border economic relations thus reflect not so much national-level doctrines and plans but the specific interests behind this activism, especially the character of local business interests. These groups are clearly so powerful that their interests shape even efforts by local government actors to manage the security problems that they have helped to generate. The result is not a virtuous cycle of prosperity and peace, notwithstanding considerable economic development in some border areas, but growing insecurity and bilateral tensions, as "Beijing is called to account [by Naypyidaw] for illicit activities of its local businessmen and officials, the extent of which it is often unaware" (ICG 2009, 25). In so far as BRI grants considerable latitude to such local actors to determine what projects will be pursued and how, we can expect these challenges to persist (see Jones and Zeng 2017).

Our findings also challenge the assumptions of realist IR treatments of the BRI and China's economic engagements more generally, which depict it as a strategically directed "grand strategy," as well as of those who predict a *Pax Sinica* emerging in Asia, rooted in historical relations and norms (see Bhattacharya 2016; Kang 2007). The nature and effects of Chinese cross-border engagements in many cases do not reflect national strategy or national identity, but rather the context of China's political economy and state transformation, being shaped by the interests and agendas of the particular actors involved, including on the "recipient" side. This means that the impact of BRI will vary considerably across territories; the negative impacts seen in the Myanmar case will not simply be replicated elsewhere. As noted, Myanmar's socio-political and economic characteristics exacerbate the conflict-generating effects of capitalist development and Chinese state transformation. However, where similar characteristics exist – weak governance, a focus on extractive industries, and high levels of pre-existing social conflict – similar problems are likely to emerge. Given how much BRI targets developing countries throughout Southeast, Central and South Asia and eastern Africa, we can anticipate many bumps in the belt and road.

Notes

1. For example, Dreher et al. (2014) find that African political leaders use Chinese aid to develop their patronage networks.
2. Although co-operation stalled, in 2017 the China Railway Group was working with the Myanmar government to re-start the project (*Zhongguo Zhongtie*, May 10, 2017).
3. EMRGs' shift from heroin to methamphetamine production is arguably responsible for the reduction in opium acreages (see Chin 2009; Lintner and Black 2009, ch. 2–3).

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