A Capitalising Foreign Policy: Regulatory Geographies and Transnationalised State Projects

**Introduction**

The nature and character of foreign policy making has been changing and this is reflected in the commercialisation of foreign policy missions, instruments and discourses. Increasingly, economic tools are being used to achieve policy objectives and policies are being framed in the language of business and economics. For instance, strategic partnerships, a term reminiscent of business textbooks, have become ubiquitous, replacing the more traditional language of alliances, and Presidential and Prime Ministerial visits to foreign countries often involve large business delegations. Another case in point is the emergence of rival proposals for regional economic integration in Asia. In the past few years, the Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and One Belt One Road (OBOR) initiatives ‘moved from being a sideline to the major rivalries and power dynamics in the region to being a central driver of them’ (Wesley, 2015: 481). While the TPP failed to win Congressional support in the United States and has been abandoned by the new Administration of Donald Trump, there is still a need to understand the emergence of these new types of foreign policy initiatives because, as we touch on in the concluding section of the paper, this will help elucidate why they succeed or fail.

Dominant approaches in International Relations (IR) and International Political Economy (IPE), however, are limited in their analytical power because they usually make a distinction between politics and economics and prioritise one over the other rather than seeing them as mutually constitutive (Desai, 2015; Murphy and Tooze, 1991). Specifically, approaches to the analysis of foreign policy in IR focus on politics and states, while the discipline of IPE, despite
having been established to find a ‘middle ground between politics and economics’ (Strange, 1970: 33) has been focussed on economics and the international system, with little attention paid to the economics-politics nexus in states’ foreign policies. This distinction between politics and economics is the outcome of the assumption that under capitalism, given the detachment of the process of production from the power of coercion, the political and the economic constitute separate spheres and possess distinctive logics. This separation, as Wood (1981: 67) has argued, reflected a ‘historical reality in capitalist society’ and gives rise to practices that ‘actually do divide the arenas of economic and political action, and actually do transform certain essential political issues – struggles over domination and exploitation that historically have been inextricably bound up with political power – into distinctively “economic” issues’. Under the ‘real appearance’ of market equality and freedom in capitalism, however, lies a distinctly political set of economic relations. As Wood (1981: 67) notes, the task is to ‘decipher the real meaning of the “appearance”’, and this requires ‘not the reproduction but the critical elaboration of bourgeois categories’.

The treatment of economics and politics as having an external rather than internal relation in IR and IPE reproduces the surface appearance of the separation of politics and economics. In contrast, we seek to explain the growing ‘economic’ focus of foreign policies by foregrounding the internal relation of politics and economics. In particular, we argue that the uneven and combined development of global capitalism restructures state forms and patterns of class relationships and that this process shapes foreign policy strategies. We use this framework to analyse the emergence of the TPP, RCEP and OBOR initiatives. These initiatives have been understood through the lens of ‘competitive regionalism’ (Wesley, 2015: 481). From a ‘realist’ position, Wesley argues, for instance, that the ‘entanglement of trade diplomacy in Asia’s strategic rivalries is ultimately driven by a long-term structural bifurcation between the region’s
economic and security structures’ due to the rise of China as an industrial power while the US remains the foremost security provider (2015: 481). The TPP is viewed, in this account, as an American bid to realign the region’s economic and security structures around the US while the RCEP for China ‘is a defensive measure against the TPP’ (Wesley, 2015: 488). Hence, in this argument, strategic imperatives related to the desire for political and economic dominance are driving competitive regionalism. A key difficulty with using this notion of competitive regionalism to explain schemes such as the TPP and RCEP is that the analysis elides the specifically capitalist global political economy in which such projects are advanced. As a result, this reading of the TPP and RCEP misses their major drivers, which are not simply related to China’s economic growth and power-seeking on the part of both China and the US, as realists would have it, but are the product of the contradictions of capitalist development in China and the US as these states seek to maintain levels of profitability and competitiveness within a global market. These contradictions need to be understood within a process of global capitalist expansion that has shaped ‘internal’ social relations of capital accumulation and given rise to what we term, ‘transnationalised state projects’ and their associated geoeconomic strategies.

This paper analyses the social foundations of these new transnationalised state projects, which are closely connected to the uneven development of the global capitalist economy. In our framework, the state is understood as a condensation of social relations (Jessop, 2003; Poulantzas, 1978). In the contemporary period, however, we argue that these social relations are transnationalised. Our analysis of transnationalised state projects builds on Trotsky’s (2009) theory of ‘uneven and combined development’ (UCD) by drawing on Poulantzas’ (1978) notion of ‘internalised transformations’. Our Poulantzian-UCD framework allows us to bridge the theoretical divide between the politics-focussed IR literature on foreign policy, the
economics-focussed IPE literature and the spatial politics-focussed Political Geography literature. Trotsky’s theory of UCD holds that capitalist expansion proceeds unevenly and leads to various combinations of socio-political forms and classes. While Trotsky discussed socio-political combinations across modes of production, namely capitalism and feudalism, as Rolf argues, ‘there seems little reason ... why this analysis cannot be extended to the contradictory effects of sociological amalgamation inside the capitalist mode of production but across variegations of it’ (2015: 145). Poulantzas’s (1978) notion of ‘internalised transformations’ complements UCD as it identifies a mechanism through which the transnational dimension of state-restructuring takes place as capitalist development proceeds in combined ways. Specifically, we use Poulantzas to suggest that the effects of the transnationalisation of capital and its reproduction are internalised within the state institutions via the transnationalisation of state projects. Poulantzas used the terms ‘internationalisation’ and ‘transnationalisation’ interchangeably. We, however, specifically adopt the term ‘transnationalised state project’ rather than the ‘internationalisation of the state’ or the ‘transnational state’ – which usually refer to the absorption or rescaling of national states into existing transnational regulatory frameworks – because it better captures the extra-territorial reach of domestic regulatory frameworks.

Crucial to our argument, moreover, is that transnationalised state projects are now increasingly diverse and are giving rise to distinctive geoeconomic strategies such as the TPP, RCEP and OBOR. While the TPP reflected an attempt to create a new stage in the transnationalisation of American capital, the RCEP and OBOR reflects an emerging China-centred transnationalised state project. In demarcating ‘geopolitical’ from ‘geoeconomic’ strategies we seek to highlight how the apparent separation of politics and economics now extends beyond the national frontier of the state through the transnationalisation of state projects. Such strategies attempt to
overcome key problems of capitalist development in the US and China through the export of distinctive modes of regulatory governance that we call regulatory geographies.

In the first part of the paper we illustrate how realist, liberal, constructivist and some Marxist approaches in IR and Political Geography perpetuate the ‘real appearance’ of the separation of politics and economics or otherwise seek to collapse the distinction between politics and economics, which elides its ‘real effects’. Both these approaches lead to an inability to appreciate the varied political and territorial dynamics of different capitalist states. We argue in the second part of the paper that our Poulantzian-UCD framework offers a way of conceptualising the role of the international in the transformation and restructuring of capitalist states and their constitutive social relations. In arguing this, we build on recent work on UCD in IR but we go beyond the ‘historical-sociological and macro-sociological bias’ (Bruff, 2012: 179) of much of this literature (e.g. Rosenberg, 2006). Specifically, rather than treating UCD as the transhistorical social basis of the ‘international’, we argue that it needs to be given specific content and form within capitalism. From this perspective, it is capitalism that gives the ‘international’ its uneven and combined form (Bruff, 2012; Rioux, 2015). In the contemporary period, we argue that it is the transnationalisation of capitalist combinations that shape trajectories of capitalist transformation. Here the state is crucial in mediating and managing the extension of processes of UCD across national territorial boundaries via the transnationalisation of state projects. In the third part of the paper, we apply our Poulantzian-UCD approach to an analysis of American and Chinese transnationalised state projects and the schemes for regional economic integration that they have given rise to.
The Politics-Economics Problematic in the Analysis of Foreign Policy

The crucial political dynamics of transnationalised state projects remain obscured by the methodological nationalism and statism of dominant approaches to analysing foreign policy. A characteristic feature of most realist, liberal, constructivist and some Marxist approaches in IR, IPE and Political Geography is the treatment of politics and economics as possessing distinctive logics. In realist approaches in IR, for instance, economic power in the form of attributes such as industrial capacity, natural endowments and population size, is generally treated as a component of a state’s overall power capabilities which can be used as a tool to influence other states and build military power to ensure survival in an anarchical international system (Gilpin, 1987; Krasner, 1978). Hence, a structural link between economics and security does not exist in these accounts, but may exist depending on the strategies adopted by state officials at particular junctures. For instance, Mastanduno’s (1998: 827) attempt to ascertain ‘the extent to which economic policies are subordinated to and supportive of security concerns’ in American foreign policy found that dominance of international economic competition, multipolarity and a threatening strategic environment all result in a greater willingness to utilise economic statecraft for broader national security goals. Luttwak (1998: 125) provides a different realist conceptualisation of the economics-security nexus with his claim that with the waning of Cold War ideological conflict, ‘the methods of commerce are displacing military methods’ in inter-state competition. He characterises this as a shift from ‘geopolitics’ to ‘geoeconomics’, which he defines as the ‘admixture of the logic of conflict with the methods of commerce’ (Luttwak, 1998: 125). In liberal approaches, contrary to Luttwak, the methods of commerce, trade and economic integration can shape state behaviour such that states become more pacific as they imbibe the liberal norms that underpin free trade regimes and benefit from economic cooperation (Keohane and Nye, 1977).
Alternatively, critiquing both the realist ‘politics determines economics’ approach as well as the normative liberal ‘economics should determine politics’ approach, Moravcsik’s (1997: 522-3) liberal preferences theory links economics and security through state-society relations which are shaped by, among other things, ‘economic assets and endowments’ and the ‘relative position of those assets and endowments in global markets’. ‘Conventional’ constructivist approaches, such as that of Wendt (1999), which argue that foreign policy interests emerge from state identities, are like liberal approaches in their emphasis on how economic policies and institutions can help socialise states into peaceful and cooperative relationships. ‘Critical’ constructivist approaches also view state identities as the basis of foreign policy interests but place greater emphasis on domestic processes and histories in the construction of these identities (e.g. Weldes, 1999). The focus on practices of representation in these approaches, however, has led to a neglect of the role of the socio-economic forces and interests in the formation of state identities (Chacko, 2016). Realist, liberal and constructivist approaches in IR are, therefore, underpinned by the analytical separation of politics and economics and fail to theorise how the international is constitutive of not just state strategies but of broader capitalist social relations.

An emerging body of Marxist work in Political Geography, IPE and IR does theorise the relationship between inter-state relations and the capitalist global order but several of these approaches, like those above, suggest that an external relation exists between political and economic ‘logics’. Mercille’s ‘radical geopolitics’ (2008), for instance, draws on David Harvey’s (2003: 27) distinction between ‘territorial’ and ‘capitalist’ logics, the former driven by leaders’ desire to retain political power within a limited territory and the latter by capitalists’ territorially expansive quest for individual advantage. Mercille’s (2008) approach modifies Harvey’s concepts into geopolitical and geoeconomic logics of power, the former driven by
political factors (namely electoral imperatives and the need to maintain international credibility) that underpin foreign policy making and the latter by the political economy of capitalist expansion. In this approach, while geopolitical logics are important, it is geoeconomic logics that mostly drive foreign policy making (Mercille, 2008: 578). Similarly, and also drawing on Harvey, Callinicos (2010) posits the existence of capitalist and territorial logics of power that underpin what he terms ‘economic’ and ‘geopolitical’ competition, respectively. For both Callinicos and Mercille, these territorial and capitalist logics are viewed as separate and distinctive logics that can overlap or contradict one another. Hence, the two-logics approach with its distinct territorial and capitalist logics and demarcation of state-managers’ interests from capitalists’ interests perpetuates the ‘real appearance’ of the separation of politics and economics under capitalism and obscures the political dynamics of UCD and the transnationalised state projects it gives rise to.

Others take issue with a two-logics approach and instead seek to erase the distinction altogether. Colaz and Pozo’s (2011: 213-215) ‘Marxist geopolitics’ collapses Harvey’s two logics on the grounds that ‘territory acquires a value that transcends the neat distinction between capitalist and territorial logics of power’. In this account, capitalists valorise territory as much as state managers and politicians because of the need for ‘social infrastructure’ and class privilege for the reproduction of capital. Likewise, Davidson (2010: 83) rejects the two-logics approach, on the basis that ‘capitals can perform some of the functions of states and states can act as capital’, in favour of a ‘mediated totality’ approach in which the competitive accumulation that characterises capitalism also creates a competitive multi-state system. For Davidson (2010: 93), ‘[t]he trajectory of geo-economic competition ultimately ends in geopolitical rivalry’. This ‘single logic’ approach obscures the ‘real effects’ of the surface appearance of the separation of politics and economics’ and the ways in which distinctive forms
of UCD are crystallised within state structures through geoeconomic strategies such as regulatory geographies.

A Poulantzian–UCD Framework

Rather than either a ‘two logics’ or ‘single logic’ approach what is needed, then, is what Teschke and Lacher (2010) call a ‘multiple logics’ approach that focusses on historically situated actors, their ‘varying and fundamentally contested construction and implementation of strategies of territorialization and accumulation’ and the different patterns of capitalist geopolitical competition and cooperation that are subsequently produced (Teschke and Lacher, 2010: 32). Here we follow Bruff (2012), Desai (2015) and Rolf (2015) to highlight the relevance of Trotsky’s theory of UCD for understanding contemporary international politics. In particular, this approach draws attention to capitalism’s ‘contradictions’, which are dialectically related to its unevenness and the sociological amalgamations that are produced by its expansiveness, as the major driver of the process of capitalist development (Desai, 2015: 6). In Trotsky’s theory, moreover, UCD is the product of both the global spread of capitalism as well as the political mediation and management of the contradictions produced by this global expansion (Rolf, 2015). As such, capitalism’s contradictions are also ‘the source of tension between contrasting forms of accumulation within states, as well as between them’ (Rolf, 2015: 115). Hence, for instance, capital’s tendency toward social and spatial concentration for greater profits and productivity (which leads to unevenness) is contradicted by capital’s tendency toward over-accumulation, the disruption caused by technological advancement and shifts in production and the emergence of liquid capital, all of which promotes capital mobility. This process is mediated by state actors through the adoption of strategies to deal with the political and economic problems that stem from these strategies of capital accumulation. These strategies can include imperialism for the pursuit of new markets; combined development
through sociological amalgamations to produce new state projects; and, what we term, the ‘transnationalisation’ of state projects.

Adopting this vantage enables us to conceptualise the ‘international’ as differences arising out of the variegated forms of capitalism produced by combined capitalist development. We argue that there are now a diverse range of transnational state projects that reflect the distinctive pathways through which particular capitalist interests have transnationalised. These ‘transnationalised’ state projects consist of distinctive combinations of socio-political forms and lead to various geoeconomic strategies such as the TPP, OBOR and RCEP. Our analysis of these diverse state projects intersects with the varieties of capitalism literature (Thelen 2014); however, we argue that varieties of capitalism have emerged out of process of UCD and these in turn have been the basis for the emergence of state projects that transnationalises varieties of capitalism. In this context, the ‘national focus’ of the varieties of capitalism literature becomes increasingly problematic because it is unable to theorise the internal connections between varieties of capitalism or the export of forms of capitalism through state projects. Similarly, our approach analyses the operation of UCD in spaces beyond national territorial containers in a diversity of geoeconomic and regulatory spaces.

In analysing these transnationalised state projects, the mechanisms through which UCD operate consist of what Trotsky (2009: 2-4) termed the ‘whip of external necessity’, defined here as the pressures induced by inter-societal differences which produce variegated forms of capitalism, and, the ‘privilege of historical backwardness’, defined as the use of strategies and technologies from early industrialisers to ‘compress’ capitalist development in later industrializing states. Such UCD mechanisms are well covered in the literature but a crucial innovation in our approach is to identify a further mechanism that Poulantzas (1975: 72)
termed, ‘internalisation’ – the emergence of an ‘internal’ or ‘interior’ bourgeoisie that ‘maintains its own economic foundation and base of capital accumulation both within its own social formation, and abroad’.

We make a two-fold argument. First, we argue that transnationalised state projects emerge when the whip of external necessity or the outcomes conferred by the privilege of backwardness induce state managers to undertake processes of state restructuring that involve the transnationalisation of capital. This process of UCD produces an interior bourgeoisie that is linked to transnational, rather than just national, circuits of capital. The relation between the interior bourgeoisie and state managers works through various ‘subsidiary mechanisms’ (Block, 1987: 57), such as lobbies and party structures through which transnationalisation strategies can be articulated. Second, this process of transnationalisation is mediated by actors and class fractions within both the transnationalising state and the states that are the targets of transnationalisation. Specifically, transnationalised state projects can be resisted and contested by other fractions of capital and other social forces and may confront challenges from state institutions and policies that are legacies of past social compromises.

Our argument differs from both two logic approaches outlined above, which suggest distinctive territorial or geopolitical and class dynamics, and the notion of a ‘transnational state’ in the work of those, such as Robinson (2004), who argue that an emerging transnational capitalist class forms the basis of the formation of a transnational state apparatus that bypasses the ‘national state’. Building on these ideas, Harris (2009) has argued that there is an emerging transnational state capitalist fraction in China, Russia and the Gulf states that have both a common and joint project with other more market-oriented transnational capitalist class fractions. This conception, like Robinson’s transnational capitalist class thesis, remains
detached from the specific local processes of capitalist transformation that lead to the transnationalisation of capital, be it Gulf capital (Hanneh, 2011) or the Chinese state capital analysed in this paper. In his discussion of the emergence of Gulf capitalism, for instance, Hanneh (2011) notes that what he describes as the internationalisation of capital emerged ‘in “hothouse” fashion - from state-supported and family-based trading groups in the 1960s and 1970s to the domination of a few massive conglomerates in the contemporary period’ (Hanneh 2011: 2). However, rather than confronting the state as an external actor, these transnational class fractions are involved in contestation over the establishment of hegemonic projects within states (Bieler and Morton, 2013). The implication of this argument, as Bieler and Morton (2013: 42) point out, is that the ‘historical dimension of the formation of specific forms of the state in their different ways needs to be taken into account when analysing the internal relations between the inter-state system and globalisation’.

Drawing on Sparke and Lawson (2003) and Cowen and Smith’s (2009) notion of ‘geoeconomics’ as a specific capitalist logic associated with market rationalities and transnationalised economies, this paper argues that American and Chinese plurilateral trade agreements and infrastructure building are different articulations of a geoeconomic strategy that we term regulatory geographies. We define regulatory geographies as varied forms of regulation across transnational, often regional, space that are both differentiated – in regulatory instruments, actors and processes – but at the same time linked by distinctive ‘conceptions of regulatory control’ that define key modes of regulatory coordination and governance. We adopt the notion of ‘conceptions of regulatory control’ from the Amsterdam School’s notion of ‘comprehensive concepts of control’ which refers to the articulation of the interests of particular fractions of capital as the general interest through broad ranging projects such as the Keynesian welfare state (Van der Pijl, 1998). We adopt a narrower understanding of
‘conceptions of regulatory control’ to delineate competing forms of market coordination and regulation. These competing concepts of control embody the social logic of the dominant class coalitions that underpin the transnationalised state projects promoted by key capitalist economies.

The other major feature of regulatory geographies is that they provide a form of what Harvey (2003) calls a ‘spatial fix’ to overcome fundamental contradiction and crisis tendencies in capital accumulation. Jessop (2006: 153, 163) has drawn attention to Harvey’s notion of ‘structured coherence’ as bringing together productive forces and social relations within bounded regional spaces as a ‘spatio-temporal fix’ that ‘displaces and defers contradictions both within a given economic space and/or political territory and beyond it’. As Jessop (2006) notes, implicit in this discussion is the role of political institutions in producing such – albeit limited – structural coherence. Harvey tends to privilege the national frame when he uses this concept – but there is no inherent reason why in this framework cannot be applied to other scales. Indeed, in this paper, we argue that regulatory geographies seek to create forms of regulatory coherence – via conceptions of regulatory control – through transnational regulatory space. The advantage of this broader notion of regulation is that it includes more than juridical regulation and points to more deep-seated changes in modes of governance through transnationalising state projects.

In the remainder of this paper we use this framework to understand the emergence of economic integration proposals that, for some time at least, became a central driver of security and power dynamics in the Asian region. We focus especially on the attempt to extend particular conceptions of regulatory control beyond territorial borders via the establishment of the regulatory geographies of the TPP, RCEP and OBOR.
The Regulatory Geography of the TPP: UCD and the Transnationalisation of the American State Project

The TPP was the product of a particular American transnationalised state project that emerged under Barack Obama and aimed to create a regulatory geography underpinned by ‘liberal’ conceptions of regulatory control. This geoeconomic strategy sought to manage key contradictions in American capitalism while reproducing the surface appearance of the separation of politics and economics by presenting initiatives like the TPP as simply advancing markets and free trade while maintaining the US’s global dominance. As Obama’s Defense Secretary, Ash Carter noted:

[P]assing TPP is as important to me as another aircraft carrier. It would deepen our alliances and partnerships abroad and underscore our lasting commitment to the Asia-Pacific. And it would help us promote a global order that reflects both our interests and our values (2015).

While the North American Free Trade Agreement (NAFTA) was an early exemplar of this form of transnationalised state project, the TPP aimed to deepen and consolidate a liberal regulatory regime in the Asian region. This transnational promotion of a liberal regulatory geography was a product of the interaction between different forms of combined capitalist development. Specifically, the sustained downturn in the manufacturing sector in the US since the 2000s is due, in particular, to the rise of China as a manufacturing power (David, Dorn and Hanson, 2013). The rise of ‘contender states’ (Van der Pijl, 1998) is a key outcome of UCD, as later industrialisers take advantage of the privilege of historical backwardness to combine or compress stages of capitalism to make rapid advances in economic growth by assimilating technology and knowledge from earlier industrialisers. The downturn in American manufacturing led to the loss of one-third of the American manufacturing workforce in the 2000s. This decline was not due to increased manufacturing productivity but losses in real
value added output, including in advanced technology products, because of falling foreign competitiveness and, in particular, import competition from China (Nager and Atkinson, 2015). As Hart-Landsberg (2013) argues, trade imbalances between the US and China produced an arrangement where low-wage manufactured goods were exported to the US, leading to trade surpluses that were then invested in the US, particularly through the purchasing of debt issued by American financial institutions. Thus, Schwarz (2012: 107) points out that ‘up until about 2005, the US and China had a symbiotic – indeed ‘co-dependent in the pop psychological sense – relationship with respect to growth and employment’. This relationship, in turn, however, fuelled the global financial crisis of 2008 as Chinese growth became more capital intensive, thereby eroding American competitiveness and jobs in technology manufacturing and driving down incomes. While the conditions for American manufacturing have improved and output and employment have been slowly growing since the end of the recession in 2009, as Nager and Atkinson (2015) argue, there is little evidence that this is due to a recovery of international competitiveness or that the manufacturing sector will be restored as a major force in the American economy.

With manufacturing in decline and the ‘whip’ provided by the rise of China as a contender state, services, the ‘knowledge economy’ and associated industries, which have emerged in part because of technological changes, are increasingly being recognised by American political leaders as the central drivers of economic growth, as they attempt to mediate and manage the effects of UCD. These industries – such as pharmaceuticals and entertainment – have emerged as influential actors in the formulation of American trade policy (Sell, 2010b). Yet, the American government has been unable to shape the rules related to intellectual property rights (IPR) in the ways desired by powerful domestic capitalist interests in these sectors, such as brand-name pharmaceutical companies and entertainment companies, in WTO processes. As
van Apeldoorn and de Graaff (2012) have shown, transnationally-oriented fractions of American capital have long exercised influence over state managers through institutional channels such as policy planning networks, business advocacy groups and personal ties with foreign policy officials. In this case, these capitalist interests worked through their lobbies, such as the Pharmaceutical Research and Manufacturers Association (PhRMA) and DisneyPAC, to advocate the adoption of a strategy of ‘vertical forum shifting’ (Sell, 2010a: 450-4) to negotiate ‘WTO Plus’ treaties at the bilateral and regional level that go beyond traditional WTO trade liberalisation objectives and includes a whole host of regulatory and competitive barriers to trade and investment (Lim and Elms, 2012). The TPP was the culmination of this strategy because it sought to give coherence to the ‘spaghetti bowl’ (Baldwin, 2008) of bilateral agreements that the US has negotiated with countries in the Asia-Pacific region like Australia and Singapore while extending and deepening such regulatory rules through plurilateral arrangements – that is agreements with groups of countries. Important as these institutional rules may be, its crucial significance lay in the fact that they attempted to create new geographies of regulatory governance that embed particular modes of governance ‘inside’ the regulatory architecture of signatory states.

The extension of IPR for pharmaceutical products provides a striking example of the liberal conceptions of regulatory control that the TPP sought to embed in Asia. While the final text was much less onerous than the initial demands made by American negotiators, it still contained provisions for the expansion of property rights by 5-8 years while the investment chapter of the TPP placed limits on the ability of states to use compulsory licenses as a tool to negotiate prices for drugs (Shah, 2012). Hence, the TPP was to potentially lead to changes to patent laws and to regulation that would have determined the cost of drugs, the availability of generics and the packaging of products such as Tobacco – all of which are crucial to public
health regulatory regimes as well (Rimmer, 2012; 2013). Likewise, a leaked letter by the Walt Disney Company’s Chief Executive Officer, Bob Iger, to employees laid out the entertainment industry’s efforts to export domestic regulatory rules into the TPP:

We played a major role in ensuring that the "Trade Promotion Authority" legislation set high standards for intellectual property (IP) provisions in our trade negotiations, and we helped get that bill through Congress. We used that language in TPA to advocate successfully for a strong IP chapter in the Trans-Pacific Partnership (TPP) trade negotiations. We also pushed for provisions to promote digital trade and to reduce barriers in media and entertainment sectors. TPP will establish a strong baseline of protection for intellectual property while breaking down trade barriers in the Asia Pacific region. In both TPA and TPP we had to overcome significant efforts to weaken respect for IP, pushed not only by foreign governments but also from within our own Congress and the Administration (Quoted in Mullin, 2016).

The intent of these initiatives was to shape regulatory governance – particularly on issues of IPR – within the policy-making apparatus of other states. Here, the nature and form of this transnationalisation was driven by an effort to embed American intellectual property practices beyond its borders, creating – via plurilateral means – regulatory geographies of intellectual property. In this way, the US government, working on behalf of a particular transnational capitalist fraction or interior bourgeoisie, sought to secure its advantage in key areas of transnational service and knowledge industries in order to manage the economic impact of a contracting manufacturing sector.

Yet, the rise of China as a contender state and the impact of this on eroding the industrial manufacturing sector was not the only way in which UCD has shaped US capitalist development. The growth in outsourcing in some sectors of the US economy from the 1970s and 1980s took advantage of the rapid growth of low-cost manufacturing and services in
contender states and led to combined forms of capitalism in the US. Panitch and Gindin (2012) point out, for instance, that American manufacturers increasingly outsourced many operations, now purchasing from other companies much of what they had previously performed “in house” (from accounting to janitorial services to a great deal of production itself). …The result was a more interdependent global capitalism that required more than ever the consolidation of “free trade” to facilitate borderless production (2012: 287).

It was the very nature of this growing transnationalisation of trade that required more substantial regulatory governance of these production networks. Equally important here in the context of our argument is how these industries combine different forms of capitalism within these production networks. So, for example, an information technology company such as Apple combines its knowledge capitalism within a production network, through a company such as Foxconn in China, which relies on the highly intensive monitoring of workers in factories that resemble forms of Taylorism (Chan, Pun, and Selden, 2013). One of the major features of American capitalist development since the 1970s has been its distinctive combinations of these capitalist forms within global production networks. Such combinations have been an important driver in schemes like the TPP which sought to create new regulatory geographies around US-based regulatory models based on specific liberal conceptions of regulatory control.

Another significant dimension of the regulatory geography of the TPP was the attempt to impose a version of regulatory coherence onto the regional economic order. In this way, regulatory geographies go further than facilitating the transnationalisation of capital. Rather, at issue here is the distinctive way that the TPP set out specific mandates and missions around which regulatory coherence amongst signatory states would have been established (Bollyky, 2012: 179). As we see in the IPR sections, it was less about specific regulations but rather the broader modes of regulation through which trade and markets are governed. In various areas,
the TPP allowed flexibility but this flexibility was bounded by conceptions of regulatory control that organise the regulatory landscape. The US Trade Representative, Michael Froman noted of the digital copyright provisions, which are designed to be akin to the domestic Digital Millennium Copyright Act, that it was meant to be less prescriptive than previous trade agreements (Johnson 2016). Rather the intent was to enable greater flexibility in rules to accommodate legal and institutional differences between countries but in way that operationalises the principle that regulatory systems need to effectively remove content that infringes intellectual property rights.

Plurilateral agreements are attempts to impose regulatory disciplines within various policy making and judicial institutions within states. In relation to the TPP, an important example of this regulatory disciplining was its inclusion of the Investor State Dispute Settlement (ISDS). In essence, the ISDS established an international arbitration forum to rule on potential infringements of ‘investor rights’ such as those through nationalisation or through various public policy initiatives such as public health laws. In effect, ISDS had the effect of protecting investor rights from policy and legislative restrictions across a wide range of public policy areas. At the same time, these arbitral processes bypass domestic judicial and legal institutions. The ISDS clauses have a long history and have been central to the attempts of the US to internationalise its own regulatory instruments and procedures. For example, Chapter 11 of the NAFTA established a framework for ISDS (Abbott, 2000) that was incorporated in the TPP. As Capling and Nossal (2006) argue, Chapter 11 of the NAFTA was unique in allowing an investor to bring claims against a state without relying on the support of another state to lodge a grievance. A key consequence of Chapter 11 was that it allowed private actors direct access to the dispute settlement process. More consequentially, Chapter 11 helped to create a transnational regulatory system that embedded particular conceptions of regulatory control in
domestic policy-making institutions. The American government has had a chequered history with ISDS clauses, particularly via the now failed multilateral investment regimes. Capling and Nossal (2006) argue that the political fallout from these various attempts at introducing ISDS may have led the US to abandon such initiatives. Yet, despite these failures, it persisted with the ISDS clause in the TPP and succeeded in incorporating the clause in the final text. While the ISDS clause had significant exclusions – including those over the contentious issue of tobacco control – it was a crucial pivotal component of the TPP. However, the incorporation of ISDS in the TPP – under an incumbent Democratic President with a substantial political constituency hostile to this clause in the US – suggests that the ISDS was seen by the Obama Administration as important instrument through which liberal regulatory disciplines could be internalised within the regulatory geography of the TPP.

Another important dimension of the regulatory disciplining of the TPP was the inclusion of clauses on competition policy and the treatment of state-owned companies (SOEs) (Office of the United States Trade Representative, n.d.). The insertion of these clauses was clearly to support the development of the TPP as a tool with which to carry out regulatory disciplining, with a particular intent to shape and modify the behaviour of Chinese SOEs across the region. China was not a part of the TPP although it was invited to join negotiations by Hillary Clinton (2012) in 2012 as the talks were already underway. One of the key rationales for the TPP, and China’s late invitation, was that China’s neighbours and trading partners could be enmeshed within a set of US rules and norms with the expectation that, as Barack Obama put it in an interview, ‘then China is going to have to at least take those international norms into account’ and eventually undertake domestic reforms to meet the required labour, environment and intellectual property standards (Quoted in Wheaton, 2015). Hence, the clauses on competition and SOEs were designed to ensure that SOEs could be disciplined to be made compatible with
liberal conceptions of regulatory control. They do so, for example, by providing the basis for sanctions against ‘non-commercial’ activities to support SOEs, such as subsidies and low-cost financing.

The Regulatory Geographies of RCEP and OBOR: UCD and the Transnationalisation of the Chinese State Project

Capitalist development in China is inextricably tied to transformations in American capitalism. The intertwining of Chinese and American forms of combined capitalist development created the conditions for China’s rapid economic growth in the 1980s and 1990s (Hardy, 2016). Underpinning this boom was China’s integration into global production networks linking into American consumer markets. China’s expansion was a variant of the ‘embedded mercantilism’ that defined East Asian political economies of the 1970s (Jayasuriya, 2003). Similarly, China’s growth strategies are consistent with the notion of ‘Exportism’ developed by Sum (Jessop and Sum, 2006: 161-165), who identifies a distinctive set of accumulation strategies – and related extra-economic practices – underpinned by export-driven growth and its associated articulation with the global division of labour. Especially important in this pattern of combined capitalist development was the continuing role of SOEs, which were shorn of their welfarist functions and strengthened by the emergence of a powerful state capitalist class with links in the party bureaucracy (Hung, 2015). Here the combination of previous legacies of socialist development – such as the role of SOEs – with programs of market reform has produced a distinctive form of capitalist development in which SOEs have become key market players in sectors such infrastructure, telecommunications and banking. In short, combined capitalist development has been shaped by China’s history of developmentalism and state control of the economy, configuring what McNally (2012) terms ‘hybrid forms of capitalism’, underpinned by ‘statist’ conceptions of regulatory control, in which SOEs and state regulatory agencies play
an important political and economic role in major industrial sectors.

In this context, an important subsidiary mechanism through which UCD operates is ‘a combination of institutional and affective ties that “thickly embed” them [SOEs and private capitalists] with the party-state’ (Ten Brink 2011: 19). This underlines the key insight of our Poulantzian-UCD framework that combined capitalist development is a process that works through moulding the form as well as modes of contestation within state institutions, producing distinctive forms of transnationalised state projects. The social foundations of such projects are located in China’s pattern of combined capitalist development, that is, the emergence of what has been described as an investment-led accumulation regime (Vermeiren and Dierckx, 2012). This regime is characterised by both export dependency and high levels of investment. In a succinct analysis of this accumulation regime, Vermeiren and Dierckx (2012) argue that this is an investment-led regime with high levels of domestic investment, particularly by SOEs. They argue that the notion that China’s growth is overly dependent on foreign direct investment-led exports obscures the key function of domestic fixed-asset investment – by:

SOEs in particular – in its overall accumulation dynamic. Investment in China, which is unusually high by most standards, has contributed over half of GDP growth on average over the past 10 years (5.25% points out of an average of 10%)’ (Vermeiren and Dierckx, 2012: 1654).

This accumulation regime is dependent on a confluence of interests between transnational foreign investors and domestic state-owned capital. Hence, China’s distinctive processes of UCD have led to the internalisation of a distinctive set of social forces – foreign owned companies and state capitalists – within the state apparatus.
However, since the global financial crisis of 2008 which reduced global demand, this accumulation regime has been faced with domestic overcapacity, low profits and high levels of debt, which has led to a dependence on the export sector (Hung 2015: 15; Hardy, 2016; Hart-Landsberg, 2013). The problem of over-accumulation was reinforced by the credit boom in China – itself a result of trade surpluses – which boosted debt-financed investment in SOEs even further and added to the build-up of excess production capacity (Hung 2015). Such debt-financed investment was crucial to state capitalists and their political allies to maintain social stability. Indeed, the push of investments to the interior regions in the west of China was both an attempt to create more profitable opportunities for SOEs and quell potential social instability resulting from uneven development. As Fan (1995: 425) has argued, China’s post-1978 economic policy reforms emphasised comparative advantage, regional specialisation and division of labour, and a so-called ‘ladder-step’ approach whereby initial priority was given to economic growth in the coastal region which would then diffuse to inner regions. In the ‘three belts’ model, which became the basis for China’s regional development policy in the 1980s, the eastern region of China would drive economic growth through export-oriented industries and foreign trade, boosted by preferential policies. The central region would focus on agriculture and energy production while the western region focussed on animal husbandry and mining. Preferential policies toward the coastal regions resulted in the net transfer of resources and revenue from the interior provinces to the coastal provinces (Fan, 1995). The resulting inter-provincial developmental gaps and income inequalities and subsequent political dissatisfaction led to a shift in policy in the 2000s to emphasise the growth in the interior provinces through the expansion of international trade with these areas and the liberalisation of the national market (Fujita and Hu, 2001). For instance, the expansion of Foxconn – a company which as noted above is intertwined with American technology production networks – into China’s leading exporter has been facilitated, in part, by this shift of manufacturing from
coastal to interior provinces, due to lower wages in these areas and government incentives (Andrijasevic and Sacchetto, 2016). As Hardy (2016: 10) notes, ‘what emerges are complex patterns of capital mobility with firms moving from urban to suburban locations, from large to small cities, from the coastal regions to inland China and out of China completely’. The point to underline here is that the contradictions arising out of processes of UCD in China were crystallised within state institutions and structures through the role of state capitalists and government interventions to maintain social stability. State initiatives to manage these tensions were crucial in accelerating the transnationalisation of state capital by moving production and investment to the interior regions and out of China altogether.

The pressures that emerge from patterns of UCD in China are pivotal to understanding China’s backing for the Regional Comprehensive Economic Partnership (RCEP). The RCEP was first announced in Bali in 2011 at the ASEAN Leadership Summit. It seeks to give regional coherence to the proliferating array of bilateral agreements around the region. At the diplomatic core of this agreement was the so-called notion of ASEAN centrality – the pivotal role of ASEAN in shaping the nature and form of this trade agreement. In relation to the TPP, the RCEP has often been seen as a ‘low quality’ agreement. However, this distinction between ‘low and high’ quality masks a more fundamental divergence in the nature of regulatory coordination between the agreements. The TPP, as we have seen, had a strong focus on the enforcement of rules such as IPR that are crucial to service sector liberalisation. In contrast, the RCEP is much more concerned with the coordination of trade facilitation as an important element in giving coherence to the region’s supply chain of industrialisation. This facilitation – through regulatory coordination – is particularly important for the integration of regional production networks that lie at the heart of China’s export industrialisation. Such rules of facilitation form the basis of the distinctive conceptions of regulatory control with which China
seeks to mediate the contradictions arising from its uneven and combined capitalist
development, such as overcapacity and export dependence.

But trade facilitation is just one dimension of the proposed RCEP regulatory geography. An
even more crucial aspect of the conceptions of regulatory control is to be found in the striking
emphasis that RCEP places on accommodating different modalities of trade liberalisation. In
the case of China, trade liberalisation rests on the notion of ‘non-interference’ which, as
Gonzalez argues,

is a very particular norm of political and economic engagement, which is at odds with some other
forms of supranational or regulatory regionalism that diffuse national state power or rescale it
upwards or downwards away from the state. Instead, Chinese non-interference enhances
bilateralism and state-based decision-making (2015: 207).

Hence, the strategy of non-interference in a broad range of areas – such as development
assistance or lending for infrastructure – leads to the consolidation of executive decision
making and local business interests associated with the transnationalisation of capital. There is
confluence here between forms of hybrid capitalism and its embeddedness within state-to-state
bilateral agreements. In this way, our argument underlines how these ‘statist’ conceptions of
regulatory control have been exported through the transnationalisation of state projects.
Through non-interference, despite its more overtly political capitalism, the Chinese state can
reproduce the real appearance of the distinction between economics and politics as it
transnationalises by seemingly preserving government autonomy and control of the economy
in target states. Regulatory coordination takes place, but the form and nature of that
coordination is refracted through the diplomatic fiction of non-interference. An example of this
is the bilateral embedding of infrastructure with neighbouring states. A case in point is China’s
participation in the Greater Mekong Scheme (GMS), which was conditioned by the expansion
of Chinese state capital – both provincial and central – to the Mekong (Tubilewicz and Jayasuriya, 2015). Just as NAFTA was an early exemplar of the American transnationalised state project, the GMS was an earlier example of Chinese transnationalisation. Specifically, the GMS enabled the development of complex logistic chains and regulation through intergovernmental agreements for the facilitation of the expansion of state capital. However, the attraction of these agreements for neighbouring states lay ‘in their ostensibly non-political purpose and design’ which serves to reproduce the real appearance of the distinction between economic and politics (Tubilewicz and Jayasuriya, 2015: 200). Hence, the fiction of non-interference is pivotal to the way Chinese modes of combined development are transnationalised.

One effect of this mode of transnationalisation was the localisation and territorialisation of capital within specific geographical spaces. With regard to the GMS, the very terminology of ‘transport corridors and logistical chains’ implied the importance of these new forms of territorialisation. In particular, the development of logistics, transport, infrastructure and even labour have become building blocks of an emerging regulatory geography which forms the basis of a range of Chinese-led regional and governance initiatives, such as the OBOR proposal. As with the GMS, OBOR seeks to create new spatial fixes around the regulatory coordination of transport and other infrastructure logistics. The OBOR geoeconomic strategy is the latest and most expansive attempt at mediating processes of UCD in China by linking under-developed inner regions to global markets. Indeed, Summers (2016) has argued that although it has been presented as a national vision, OBOR in fact originates in sub-national policy frameworks. As the official OBOR document states:

In advancing the Belt and Road Initiative, China will fully leverage the comparative advantages of its various regions, adopt a proactive strategy of further opening-up, strengthen interaction and cooperation
among the eastern, western and central regions, and comprehensively improve the openness of the Chinese economy (National Development and Reform Commission, 2015)

The OBOR strategy consists of two mutually reinforcing initiatives. One is a so-called Silk Road that seeks to expand existing incipient infrastructure linkages to connect Xian in Central China through Central Asia, linking up with the Trans-Siberian railway to Moscow and Venice. The other is a maritime route that builds on existing initiatives like the GMS to link up ports and coastal infrastructure from China’s Eastern seaboard through South Asia and Eastern Africa. It includes several regional loops that allow the ‘belt and the road’ to intersect and the official OBOR document stresses the importance of regulatory coherence in terms of connectivity, trade integration and logistical coordination. Moreover, the document highlights the complex regime that links OBOR initiatives to other regulatory programs such as the Asian Investment and Infrastructure Bank (AIIB). As the document notes, this includes efforts to build and expand the scope and scale of bilateral currency swap and settlement with other countries along the Belt and Road, open and develop the bond market in Asia, make joint efforts to establish the Asian Infrastructure Investment Bank and BRICS New Development Bank, conduct negotiations among related parties on establishing [a/the] Shanghai Cooperation Organization (SCO) financing institution, and set up and put into operation the Silk Road Fund as early as possible (National Development and Reform Commission, 2015)

The OBOR strategy attempts to develop a regulatory geography of logistics so that facilitates the transnationalisation of Chinese state capital. However, such logistics in the context of the OBOR are important not only in terms of connectivity but also as a means of exporting key conceptions of regulatory control, namely the centrality of SOEs in building this connectivity. Hence, as Ye (2015: 220) notes, the National Development and Reform Commission has listed ‘investment, manufacturing, cross-border industrial parks, energy, trade and infrastructure
constructions as the “priority of priorities”. Moreover, Chinese SOEs, such as China CITIC Bank, the Central Tourism Group and China Tea Exporters, have been important supporters of OBOR proposals, and Chinese industrial cities like Kunming and Chengdu have sought to position themselves as centres of communication and transportation from the coastal cities to Central Asia; and coastal cities such as Zhejiang and Jiangsu have been at the forefront of pushing forward the Silk Road proposals (Ye, 2015: 220). This suggests that as the OBOR develops, provincial governments and provincial capital may emerge as the key drivers of transnationalisation with significant consequences for neighbouring countries, as has been the case with the GMS. Take, for example, the impact of the transnationalisation of Chinese capital for Cambodia. The particular ways in which Chinese capital has been transnationalised in Cambodia has shaped the relationship between fractions of Cambodian capital – which are now linked to Chinese-led investment and accumulation strategies, particularly in the areas of infrastructure, land and garment manufacturing – and its internalisation within Cambodian state apparatus (Pal, 2014). Regarding garment manufacturing, for instance, the nature of Chinese investment has changed from being driven by the initiatives of individual companies to now taking the form of Chinese government-supported Special Economic Zones that are incorporated into the vertically integrated value-chain of textile and garment companies in China (Wang, Wu, and Yao, 2008). This shift is the result of ongoing processes of UCD and its contradictions in China and elsewhere. New contender states with lower wages, such as Cambodia, have begun to erode China's dominance in low-cost manufacturing. At the same time, the decline in manufacturing in the US and Europe, because of Chinese dominance, has resulted in the imposition of restrictions on direct Chinese imports. Through investment in Cambodia's garment manufacturing sector, Chinese manufacturers have could take advantage of lower wages in rising contender states while also bypassing American and European restrictions, which were attempts to protect US and European manufacturing from Chinese
competition (Wang, Wu, and Yao, 2008). Here we see that the transnationalisation of Chinese capital – and its associated conceptions of regulatory control – are articulated against liberal forms of capitalism through Cambodia’s incorporation into Chinese geoeconomic strategies.

**Conclusion**

This paper has outlined an approach that takes seriously the growing role that economics plays in states’ foreign policies. We have argued that the push by the US and China for new regional economic agreements like the TPP, RCEP and OBOR, needs to be understood as an outcome of global processes of uneven and combined development and the diverse new transnationalised state projects these processes have given rise to. Our Poultanzian-UCD approach, with its focus on the way diverse capitalist forms are internalised within the state, allows us to escape US-centric accounts of global capitalism and the ‘transnational state’. Rather, it is argued that regional trade and infrastructure agreements are best viewed as a particular type of geoeconomic strategy that we term ‘regulatory geographies’. This geoeconomic strategy aims to address capitalist contradictions in the US and China through the export of what we term, ‘conceptions of regulatory control’.

Yet, because they favour certain class fractions over others and seek to affect change in other states’ institutional structures, regulatory geographies generate contestation both within and between states. This can be seen in the difficulties faced by the US and China in gaining domestic and international agreement for their proposals and in the apparent abandonment of the TPP by the Trump Administration. RCEP negotiating countries, like South Korea and Japan, who were also signatories to the TPP, have sought to introduce more stringent IPR provisions into the RCEP talks, while others, like India, have tried to use the negotiations to
push for migration reforms to allow the easier movement of workers (Haidar, 2016). These divergences from the Chinese agenda of trade and investment liberalisation reflect the nature of capitalist crises within these countries such as, for instance, India’s ‘jobless’ economic growth. The TPP negotiations were hindered by concerns in other signatory countries, such as Australia, about American IPR provisions and ISDS clauses (Pearce, 2015). Ultimately, however, it was domestic political opposition in the US, from groups unconvinced that Obama’s strategy of transnationalisation would benefit them, which led to its demise. The TPP generated opposition from an unlikely alliance of social forces including unionists, consumer groups, the Democratic base and Tea Party Republicans who feared that the deal would primarily benefit multinational corporations at the expense of American wages and jobs. A significant factor behind the election of Trump, who campaigned against the TPP, was the collapse of the Democratic voter base. This base had roots in the old industrial economy in the ‘Rust Belt’ states in the mid-western and north-eastern states of the US that have suffered the most in the uneven and combined development of the American economy (Chacko and Jayasuriya, 2017). Trump’s apparent push for the revitalisation of American manufacturing is an attempt to undermine aspects of the US’s combined capitalist development, such as the reliance of American manufacturers on Asian supply chains, as a response to the political struggles generated by this pattern of uneven and combined development. This would require government expenditure to build US supply chains, acquiescence from the interior bourgeoisie to produce more expensive consumer goods and resist automation, and a willingness by American consumers to pay more for products, all of which constitute a significant departure from the geoeconomic transnationalisation strategies that have thus far been dominant.

While we have focused on the TPP, RCEP and OBOR, our framework has a much wider applicability than these regional projects. For example, the European Monetary Union project
can be seen as a way of transnationalising the so-called ‘German model of capitalism’ and bringing with it the structural incoherence that we now see in Southern Europe. In turn, these transnationalised state projects exerted differential pressures on ‘national’ varieties of capitalism in Europe’s peripheral regions. In short, the origins of the crisis can be traced to the contradictions and tensions of Europe’s uneven capitalist development which have led to complex forms of layered combined development at the regional and national levels. These points underscore our argument about the crucial role of the state in mediating different processes of UCD. It is these forms of political management – which are internalised within the state – that are central to the Poulantzian-UCD approach developed in this article.

References


McNally C (2013) How emerging forms of capitalism are changing the global economic order. Asia Pacific Issues 107, February.


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1 Although, as Anievas and Allinson (2010: 206) have pointed out, Lacher and Teschke’s ‘many logics’ approach seems to be at odds with several problematic assumptions in their previous political Marxism-inspired work, such as an abstract model of equalising, globalising capitalism and a states system whose unevenness is the result of pre-capitalist legacies, which means that they fail to produce ‘a viable theoretical framework from which to explain contemporary patterns of capitalist geopolitical rivalry’.

2 For a somewhat different notion of regulatory geographies see Dowdle (2013) who uses it to distinguish between regulatory spaces of the global North and South.

3 In this context, our paper with its stress on the state capitalism and rising powers has much in common with the recent work of Stephen (2014) and Hameiri and Jones (2016). However, we seek to develop a conceptual framework that theorises relationship between uneven and combined development and the transnationalisation of state projects.

4 There has been a wide-ranging debate on the nature of capitalism in China and its relationship to the broader varieties of capitalism literature (McNally C. (2012). A consideration of this debate is beyond the brief of this paper but we note this literature misses how these distinctive forms of capitalism emerges from interlinkages between different forms of uneven and combined development.