Abstract: We provide a new framework to account for the diverging paths of political development in China and Japan during the late nineteenth century. The arrival of Western powers not only brought opportunities to adopt new technologies, but also fundamentally threatened the sovereignty of both countries. These threats and opportunities produce an unambiguous impetus toward centralization and modernization for small states, but place conflicting demands on larger states. We use our theory to study why China, which had been centralized for much of its history, experienced gradual disintegration upon the Western arrival, and how Japan rapidly unified and modernized.