China's Balance of Payments and its Geo-economic Implications

Ian Tsung-yen Chen

Abstract

Global economic imbalance leads to change in global power distribution. While some foresee inevitable decline in U.S. power, others consider China's forthcoming global primacy to be an exaggeration. This paper seeks to contribute to the debate by investigating China's balance of payments (BOP) since 1997. BOP is useful for investigating a country's relative geo-economic state because of its extensive documentation of external economic situations with the world. In this paper, I investigate both the quantitative and qualitative implications using "power as resources" and "relational power" approaches to examine China's changing geo-economic position in the region and the world. The finding shows that China's growing geo-economic power is manifested more in its rising status as a major global buyer in primary goods and its growing military strength in the region. The challenges China is confronted with include possible slowdown in wealth accumulation and its lagging technological level. In sum, the speculation of China's upcoming global primacy is exaggerated at present but its dominant position in the region is indeed on the rise.

Keyword: China, Balance of Payments, Geoeconomics, Power

Author Information

E-mail: ian.ty.chen@gmail.com

1 Introduction

The unequal distribution of national current account balance and indebtedness is an important player in the global imbalance issue in international affairs. How such problem will change the global geo-economic landscape is thus pressing for national governments. In the U.S. declinist camp, China is seen as the biggest winner for accumulating abundant financial resources through its huge earnings from trade surplus and large amounts of foreign reserves. The U.S., on the contrary, is considered by many a loser whose global influence is diminishing. Speculation toward the change of power distribution around the world, as a consequence, revolve around the idea that Beijing will soon approach, or even surpass, that of Washington. China will use abundant capital to build up its military capability and leverage its place as a major creditor to make its military and economic statecrafts. With this, the U.S. will be at a disadvantage to fend off China's global influence. Such view emphasizes the relative quantitative strength China possesses (Subramanian, 2011; Xinbo, 2010). The alternative view, however, does not foresee the decline of the U.S. significant enough for China to soon catch up. Such perspective emphasizes the U.S. advantage in terms of qualitative capabilities in military force, innovation, domestic governance, and financial strength. In short, not only does China fall short in innovation and efficiency to effectively flex muscles, but the current structure of high economic interdependence will incur great cost to China should it start economic statecraft. The U.S.'s large domestic market for imports and the dollar's global privilege can shield it from China's quantitative growth (Beckley, 2011; Drezner, 2009).

This paper seeks to contribute to the debate by investigating China's balance of payments (BOP) since 1997, the year the Chinese government began to report its BOP according to the current IMF's instructions. BOP is useful for investigating a country's geo-economic situation in the world. For example, if a country enjoys current account surplus, the rest of the world is paying more to that country's exports, which in a sense relatively weakens the world's financial position. In order to make a more comprehensive view that includes factors argued by both sides of the debate, I examine China's BOP with consideration of both quantitative and qualitative implications. The quantitative aspect is checked using the "power as resources" approach that puts emphasis on the absolute amount reported in the BOP. The qualitative aspect is addressed from a "relational power" perspective that stresses the structural relationship between China and other countries. Both approaches will also be investigated within both global and regional contexts. The finding shows that China's growing geo-economic power manifests more in its surging status as a major global buyer in primary goods and its growing military strength in the region. The challenges China is confronted with include possible slowdown in wealth accumulation and its lagging level of technology. In sum, the rationale of China's upcoming global primacy is exaggerated at present but its dominant position in the region is on the rise. In the next section, I will discuss the structure of the BOP and its geo-economic implications, which is followed by a presentation of China's BOP situation from 1997 to 2012. In section four, I will discuss what the change of BOP means to China's power basis and its power relationship with others. The paper concludes with four suggestions that may critically influence the global geo-economic alignment.

2 Balance of Payments and the Geo-Economic Implication

The BOP I adopt follows the International Monetary Fund (IMF) guidelines and includes a country's current account, capital and financial account, and statistical error (International Monetary Fund, 2010). The first two are the core elements for geo-economic analysis in this article.

2.1 Inside Current Account

A country's current account documents its international trading relationship with the rest of the world. Exports and imports of goods and services, income earned, and current transfer are three major components in the account. Money will go to a country if it sells products and services to other countries, if it gets paid for labor costs or loan interests from foreign entities, or if it receives donation from foreign countries. From these categories, three geo-economic implications inside the current account can be identified.

First, if a country is a large importer, it might possess power as a buyer. As the price of imported goods is sensitive to changes in the international transaction, power will increase with the size of the market in the importing country, or with the size of exports from an exporting country. According to David Lampton, such power can sometimes be coercive if a large buyer suddenly uses the refusal of purchases as a threat for political concession from a target country (Lampton, 2008). In addition, having a large number of imports might facilitate the internationalization of a currency in the importing country because it would have to purchase the exporting country's currency to complete the transaction, increasing the exporting country's reserve of the importer's currencies (Chey, 2013). A country with a global currency can demonstrate its strength of "exorbitant privilege" (Eichengreen, 2011). Although a large volume of imports is considered the victim of current account deficit, which makes a country a debtor, being a larger international buyer might sometimes help accumulate relative power that has geo-economic effects.

Second, a large exporting country can also possess power through either internal development or external export control. A large volume of export allows the accumulation of wealth, a requirement for building up hard and soft power. Paul Kennedy observed that the rise of great powers correlates with abundant and sustainable financial resources. However, if a great power falls short on financial sustainability while overstretching its external ambition, that powerful country will wane (Kennedy, 1987). The doctrine of mercantilism, to one extreme, urges the national government to realize trade surplus through the control of external economic relationships. The aim is to earn enough money to sustain military ambitions. External export control is another way to flex muscles. The control can be powerful when the exports are strategic items or scarce natural resources. If a country, or a cartel of countries, controls the supply of scarce resources needed in the world market, such as oil, its global bargaining power will rise. The power of selling can also be coercive if exporting countries decide to affect global price by controlling the volume of supply, which would greatly influence the importers' economies. On the contrary, if a country's exports consist of mainly export-processing goods that are easily substituted with goods manufactured in other countries, the seller might be incapable of wielding power. Besides, large exporting countries accumulate currency from other countries, which would obstruct the internationalization of its own currency. Although exports help realize current account surplus, if goods or services sold are easily substituted, they cannot constitute significant geo-economic strength.

Third, current transfers, composed of official and private transfers, are payments made without asking for anything in return. The former is demonstrated as foreign aid made voluntarily by donor countries, and the latter consists mostly of remittance made by overseas workers to their home countries. Both kinds of transfers have their geo-economic significance, albeit vague. The conditions included in the foreign aid package made by Western donors have seen its effect in influencing domestic policies in poor recipient countries (Dreher et al., 2013). Private transfers reflect the influence of overseas workers in host countries. It can be a double-edged sword that brings advantages to the home countries if overseas workers integrate well into the societies of foreign countries, and brings disadvantages if the foreign public dislikes those overseas workers. However, such effect should be considered trivial since overseas workers seldom have a say in domestic policies in their host countries.

To sum up, current account surplus might be a good thing to a country's finances. However, to check the geo-economic effects of financial inflow, one should investigate the structure within the current account situation. According to the above discussion, a country can enjoy greater geo-economic power if it becomes a major buyer of global goods that are either price-sensitive or that are main import products in other countries, a seller of scarce resources, or a large donor with conditionality.

2.2 Inside Capital & Financial Account

Capital and financial account records the change of asset ownership. As defined by the IMF, debt forgiveness accounts for a large part of a capital account, and occurs by means of transferring the ownership of asset from the creditor country to the debtor's country. This typically accounts for a neglectable amount. Financial account consists of direct investment, portfolio investment, other investments and reserve assets. Direct investments record investments that have lasting influence on the management of foreign assets, where investors have over a 10% share of decision-making power in certain foreign enterprises. Portfolio investment, on the other hand, records equity ownership of less than 10%; therefore investments in this category would not constitute a significant influencer in foreign assets. In this section, I discuss direct investment and reserve assets, which may possess greater geo-economic potential.

First, a country's direct investments abroad, mostly by multinational corporations (MNCs), show the procurement of more than 10% foreign assets in enterprises registered abroad. A larger number of investments means greater control over the foreign assets. Consequently it becomes more likely for MNCs and their home country to influence the host country's economy. If MNCs are state-owned or if the assets controlled by the MNCs are strategically important to the host country, MNCs' home country might be capable of presenting effective geo-economic power through manipulating the supply of strategic goods. The power might be stronger when the host countries are democracies as nationalization and expropriation are less likely to occur (Jensen, 2003). Besides the power of possession of foreign assets, a country can withdraw foreign direct investment (FDI) or cease continuous investment to enforce concession of host countries. If that country's direct investment accounts for a major share, economic sanction through this means will create domestic economic problems, such as rising unemployment. Therefore, to host countries, inward FDI, though beneficial to the domestic economy as it brings technological transfers, might sometimes harm domestic economic autonomy.

Second, a country's reserve assets, reserves held by the governments, are important in showing a country's external vulnerability. When a country enjoys significant trade surplus, its currency will appreciate due to greater demand of that country's currency. In order to maintain competitive, central banks will print money to buy foreign currencies and accumulate foreign reserves to fend off pressures to appreciate their currencies. Those reserves will then be used to purchase safe foreign assets, such as government bonds denominated in foreign currencies, to generate interest as well as to correct trade imbalance. Holding foreign bonds make trade surplus countries creditors and deficit countries debtors. In such situations, creditors may possess the power to influence the debtors' behavior. Many consider the dumping of debtor government bonds as an effective statecraft for the creditor country (Drezner, 2009). The dumping will affect the bond yields and the stock markets in the debtor's financial markets. In order to service debts, the government might resort to bringing in more financial resources by increasing bond issuance, tax, or interest rates. However, these policies may weaken the government by incurring greater indebtedness, bringing about domestic discontent, or leading to economic recession, which will cost the government's reputation and legitimacy (Thompson, 2007). Debtor countries, as a result, have less autonomy to make domestic economic policies. Worse yet, debtors cannot secure enough financial resources for geo-political purposes. Therefore increased trade deficit, together with lost reserve assets, would potentially harm a government.

However, there are at least three factors that could mitigate a creditor's power. Dumping debtors' bonds might be effective only when the bond issuers cannot find alternative buyers, when the bond holders foresee retaliation from debtors, or when the bond holders do not peg its currency to the debtor's. In other words, if a debtor's statecraft is powerful and its currency is attractive to the world market, the creditor's geo-economic affect might be limited.

3 China's Balance of Payments

In this section, I analyze China's BOP and its structural characteristics within their current account and financial account from 1997 to 2012. I present both the regional and global trends.

3.1 China's Current Account Balance

China's current account balance saw a 5.2-fold growth from US$37 billion in1997 to US$193 billion in 2012.[1] The account surplus reached its peak in 2008, amounting to US$426 billion (table 1). This number shows that China has accumulated wealth swiftly, albeit the pace has slowed down since 2008. I subdivide current account into earnings from international trade of goods and services, and income and unrequited current transfers from foreign governments and overseas workers. Detailed investigation shows that while China's surplus in traded goods rose

[1] China's BOP data comes from State Administration of Foreign Exchange of China, http://www.safe.gov.cn/.

steadily, its international trade in services experienced surging deficit that rose to US$90 billion in 2012 from US$3.4 billion in 1997. Net income received overseas also swiftly declined to a negative US$42 billion in 2012, which means that China paid more to foreigners than it received. Current transfer from abroad shares the same pattern, which has decreased to a net volume of US$3.4 billion in 2012 from its peak of US$46 billion in 2008. The statistics demonstrate that China's declining surplus since 2008 was a result of growing demand of foreign services, while the earnings from exporting goods remain steady. If such situation continues, China's pace of wealth accumulation may slow down, or even drop, which might lead China to a more financially strained situation.

[Table 1]

Part of the reason for China's net earning slowdown comes from the rapidly rising imports. China's worldwide share of imports in goods and services rose to 9.26% in 2012 from 2.42% in 1997. The face value of the figures indicated that China's profitability from doing businesses with the world has declined; it now buys more from the world. China may not accumulate wealth as fast as it used to, but its potential influence on domestic markets around the world is still on the rise. China's surging volume of purchases from East Asia is particularly salient. The ratio of total exports to China to total GDP in East Asian countries (Brunei, Indonesia, Japan, South Korea, Malaysia, Mongolia, Philippines, Singapore, Taiwan, Thailand and Vietnam) rose to 7.34% in 2009 from 0.96% in 1997. China bought more than 7 percent of production in the region and the trend is still climbing. Production in several countries is highly dependent on the Chinese market. In Singapore, Mongolia, Malaysia, South Korea, Thailand, and Taiwan, the ratio of these countries' exports to China and their GDP were 36.9%, 28.4%, 24.3%, 16.2%, 15.8%, and 14.4% in 2009, respectively. In 1997, excluding Mongolia, the average ratio in those five countries were merely 2.2%. As is evident, China has become one of the major buyers in the region. For the U.S., China also imported more. However, it only accounted for 0.85% of total U.S. export volume in 2009. Beijing needs to make big strides to correct its trade imbalance with Washington.

China is considered an export giant around the world and ranked number one in world total export volume in 2009, a huge climb from being number eight in 1997. However, China only accounted for 2.08% of world total export share in 2009. In East Asia, the percentage increased to 4.06% in 2009, but not in a significant way. Among the regional players, Vietnam, Malaysia, and Singapore depended on China's exports more than others. The ratio of imports from China and GDP were 21%, 10.1%, and 14.8%, respectively, in 2009. China's imports from the region rose more swiftly than its exports to the region, which resulted in its growing trade deficit with East Asian countries. In 1997, China enjoyed a trade surplus of US$12.7 billion while in 2009 the deficit climbed to US$275 billion. The trade with ASEAN members, as a whole, saw a US$96 billion deficit in 2009, while in 1997 China still enjoyed a trade surplus of US$1.5 billion. Trade with Japan, South Korea, and Taiwan as a whole shared a similar pattern in 1997. China enjoyed a surplus of US$11.2 billion in 1997 but has since become a deficit country with US$179. From a regional perspective, China's strength as a seller continues to increase but still seems to be insignificant both from a global and regional perspective. Although it enjoys positive trade relationships with Western societies, the gap has narrowed. On the other hand, trade deficit in the region has increased very fast. This will create disadvantage for accumulating financial resources. If China's exporting items are easily substituted with products manufactured in other countries, Beijing's power of being a seller might be in decline.

Aside from trade, China's worldwide income earned and current transfers have also hit a plateau. In 1997, China's net income and transfers were negative US$5.9 billion. The figure reached its peak of US$77.2 billion in 2008 and dropped to negative US$38.7 billion in 2012. This is partly due to decline in foreign aid to China from Western countries because of China's astonishing economic growth and the growing income or interest payable to foreigners. Although this restrains China's accumulation of wealth, albeit not in a significant way, it indicates that China has stepped up its foreign aid to the developing world. Its external transfers to governments rose to US$50.3 billion in 2012 from US$4.8 billion in 2007. The amount of foreign aid might bring about potential influence around the world, especially when China's relative unconditional terms of aid are more welcome in poor regions.

3.2 China's Financial Account Balance

As mentioned above, a country's direct investment and reserve assets in financial accounts may be a more accurate indicator of a country's comparative geo-economic strength. China's direct investment in its financial account increased from US$41.7 billion in 1997 to US$191 billion in 2012 (table 1), which means that foreigners' investment in assets registered in China exceeded Chinese residents' investments abroad. Although China's outward FDI saw an enormous increase from US$ 2.6 billion in 1997 to US$62.4 billion in 2012, a 24-fold growth, inward direct investments from foreigners amounted to US$254 billion in 2012. Aside from FDI flow, China's inward FDI stock, which records cumulative value of all investments, was US$832.9 billion with US$509 billion of outflow stock in 2012. Inward and outward FDI stock in 2012 accounted for 10.3% and 6.3% of China's GDP (United Nations Conference on Trade and Development, 2005, p.59). These figures may indicate that from a global perspective, China in fact faces a minor level of vulnerability due to its dependence on foreign investors, albeit the gap has been narrowed. From the regional perspective, however, China's pace of outward FDI stock in East Asian countries increased from US$587 million in 2003 to US$6.49 billion in 2008, which, excluding Hong Kong as a destination, accounts for 21.03% of China's total outward FDI stock (Kubny and Voss, 2010). However, the same number merely accounted for 0.11% of total GDP of East Asian countries, which means that China's control of foreign enterprises in East Asia appears weak. East Asia's outward FDI stock in China similarly accounts for a small portion of China's GDP. In 2012, Japan and South Korea's holding of Chinese assets equaled to 1.14% and 0.99% of China's GDP, while the U.S. controlled 0.74% shares. Southeast Asian countries are increasing outward FDI to China. But most of these investments come from overseas Chinese businesses and would therefore cause little geo-economic concerns (Samphantharak, 2011).

The world's surging demand on Chinese currency for paying for Chinese manufactured goods and direct investments in China put enormous pressure on renminbi's appreciation. In order to maintain export competition by pegging renminbi to U.S. dollars, the Chinese government prints renminbi to maintain stable exchange rate and continues the accumulation of foreign reserves to a great extent. The reserves in the Chinese central bank are used to purchase government bonds that lend money to countries in debt to China. As can be seen in the reserve assets category in China's financial account, China's annual purchases of reserve assets denominated by foreign currencies have increased tremendously from US$34.9 billion in 1997 to US$384.8 billion in 2012. It reached its peak in 2010 when it purchased US$469.6 billion assets using official reserves. According to the IMF, the cumulative reserve assets amounted to US$3.3 trillion in 2012, which is 2.6-fold of Japan, the world's second largest reserve assets holder. Among China's current total reserve assets, it is estimated that 65% are denominated in U.S. dollars, 26% in euros, 5% in British pound, and 3% in Japanese yen (BBC, 2013). From a global perspective, Western societies owe much to China, while from a regional perspective, East Asian countries are increasing their purchases of renminbi-denominated assets to deal with their foreign reserves coming from trade surplus received from China. As discussed above, this also indicates a likely internationalization of the renmingbi in East Asia where central banks are denominating their reserve assets in the currency.

To sum up, China's financial account in direct investment has helped China accumulate wealth. Both of its inward and outward FDI stock continues to grow. However, investments account for only a small portion of either host countries or China's GDP and therefore may fail to become an effective economic statecraft in the short run.

4 Changes of China's Geo-Economic Powers

To assess how China's BOP affects its geo-economic situation, it would be useful to investigate it from two dimensions. The first is the relative possession of power resources and the second is the relational power status (Baldwin, 2013). They are complementary to each other in understanding power.

4.1 Power as Resources

Power as resources is a comparison of relative possession of world physical resources that have potential to transform into power that can either coercively or persuasively change other countries' behaviors. Whether a country is capable or efficient enough to transform resources into power is not the concern. Here I examine the change of China's power basis using the possession of material resources, vulnerability of financial situation, and international influence.

First, China's BOP shows that it has accumulated financial resources through large number of exports and inward direct investment. From 1997 to 2011, the average of China's total exports as a percentage of GDP was 28.7% and the average of inward FDI stock as a percentage of GDP was 12.8%. Both are the driving force of China's economic growth, bringing Beijing a large sum of money to acquire power resources. China's military expenditure as a percentage of GDP, around 2%, has remained stable since 2000.[2] The total amount, however, has grown as fast as its high economic growth. In 2000, China spent US$37 billion in military buildup and the number climbed to US$158 billion in 2012. China's military expenditure as a percentage of the world total military expense rose from 2.48% in 1997 to 9.72% in 2012 while Japan's dropped from 5.37% in 1997 to 3.47% in 2012. Although China constantly downplayed its military buildup with their steady military expenditure of 2% of their total GDP, its relative share of military force around the world has increased. In 1997, China ranked number eight in world total military expenditure but climbed to second place in 2005. According to the assessment made by a group of policy analysts in Asian affairs, China's rapid economic growth has sustained its grand strategy in acquiring necessary coercive military force to defend itself from foreign threats and resolve territorial and sovereignty disputes. This constitutes the most-likely challenge to the U.S. in the near future. But if China encounters significant economic troubles that would make Beijing divert limited resources to

[2] The data comes from SIPRI Military Expenditure Database maintained by Stockholm International Peace Research Institute.

maintain internal stability, the threat to the U.S. will drop significantly (Swaine et al., 2013).

The Correlate of War project maintains the National Material Capabilities dataset that captures a country's relative hard power resources from 1816-2007. The index is called the Composite Index of National Capability (CINC), which consists of relative possession of a country's population, urban population, iron and steel production, primary energy consumption, military expenditure, and military personnel. After the end of the Cold War, the U.S. secured the highest relative share of those power resources and its CINC index was about 0.14, which means that the U.S. controlled roughly 14% of power resources in the world. According to the index, China surpassed the U.S. in 1996 with its 0.139 CINC while U.S. was at 0.138. In 2007, China's CINC further increased to 0.199 while the U.S. was still at 0.14. In dissecting the CINC, we see that China's growing material capability comes from two major sources: their rapid growth in military expenditure and urban population. China's primary energy consumption also increased quickly, which pushed China to secure enough overseas energy to sustain economic development. In 1997, China's primary energy consumption was 38.27 quadrillion BTU, which consists of only 40% of consumption in the U.S. In 2010 China became the world's largest energy consumer as it consumed 100.9 quadrillion BTU, which is 19.8% in the world, surpassing U.S.'s 19.2%.[3] In other words, in the same year, China was directly and indirectly in control of receiving the largest share of world energy production. The rapid accumulation of resources could not have been made possible without China's outstanding economic growth.

The CINC index was criticized for neglecting a country's level of technology, which some analysts consider to be more important than quantitative advantages. If the quality of technology is low, resources obtained cannot be effectively and efficiently transferred into power. However, if hi-tech exports or foreign investment to China can be diverted to advanced military facilities, China can further elevate its physical power (Glaser, 2006). Here I use World Economic Forum's Global Competitiveness Index to correct CINC's problem. The dimensions of higher education and training, technological readiness, and innovation within the index can somehow demonstrate China's level of technology. In the 2006-2007 report, China scored 3.61, 2.91, and 3.51 out of 7, respectively, in those three dimensions. It improved to 4.32, 3.50, and 3.85 in all three dimensions in the 2012-2013 report.[4] Although China saw some progress in advancing its technology level, it remains

[3] International Energy Statistics, U.S. Energy Information Administration. Retrieved from http://www.eia.gov/countries/data.cfm.

[4] Global Competitiveness Index, World Economic Forum, http://gcr.weforum.org/. I do not use the ranking due to different numbers of countries are under investigation in each year.

relatively low compared to other countries. According to the 2012-2013 report, the availability of China's latest technology ranked 107 out of 144 countries under investigation and its technological transfer from inward direct investment was in the 77th place, which is way below that of many of its global developing competitors. If this factor is considered, China's actual power basis should be discounted. China's qualitative advancement has not caught up with its quantitative expansion (Beckley, 2011).

Second, if a country is financially vulnerable, it will be more likely to suffer from potential economic crises, thus affecting its capability to act independently. Therefore, a country's national saving, foreign reserves, and external debt owed are one of the important indicators to one's strength. China's continually-growing current account surplus is helping it accumulate further wealth, which is largely deposited in savings rather than investments. China's gross savings as a percentage of GDP equaled 52.7% in 2011, an improvement from the 37.6% in 2001, while other great powers, such as Japan and the U.S., saved only 21.9% and 11.7% of their GDP. Other emerging economic powers like India, Indonesia, and South Korea put 31.4%, 31.8%, and 31.5%, respectively, of their money in the banks. China's total reserves in 2012, including foreign reserves, gold, and special drawing rights, was US$3.3 trillion, which is the most in the world and is 2.6-fold of the world's second biggest reserves holder, Japan. The U.S. only held US$139.1 billion; however, the U.S. dollar enjoys the privilege as the main global currency in circulation. China's external debt, compared to other great powers, was relatively small and accounted for 21.3% of its GDP in 2012. In contrast, U.S. and Japan's net government debt as a percentage of GDP was 107.9% and 134.3%, respectively. The number is approaching those seriously indebted countries in Europe.[5] Compared to other major players, China's financial state is relatively healthy. It secures abundant disposable financial resources while owing relatively little to other countries. China's financial situation makes it less vulnerable to outsiders.

Third, China's international influence has expanded with its abundant financial resources that allow it to participate in major international organizations. Its growing current account surplus has led to global imbalance problems that require Beijing's cooperation to mitigate issues. China as a consequence holds abundant financial resources and stronger bargaining power in its participation in global economic institutions. This is evident in China's growing voting share in the International Monetary Fund (IMF) and the World Bank. IMF's actual decision making resides in the Executive Board, which consists of 24 executive directors. As one of the eight

[5] Financial data adopted in this section is retrieved from IMF's World Economic Outlook Databases. Retrieved from http://www.imf.org/external/ns/cs.aspx?id=28.

IMF members with large economies, China has secured one permanent executive director seat and engages in daily decision-making processes. The voting share held by the Chinese executive director grew from 2.28% in 1997 to 3.81% in 2012 (International Monetary Fund, 1997, 2012). As IMF's voting share changes with the economic scale of its members, the distribution of voting shares reflects the changing global distribution of economic strength. Similarly, China's voting share in the International Bank for Reconstruction and Development (IBRD) within the World Bank Group also climbed from 2.89% in 1997 to 5.48% in 2013 (The World Bank, 1997, 2012). Beijing's voting share in Asian Development Bank has remained constant at around 5.5% from 1997 to 2012.[6] As China's economic growth continues to accelerate, its voting share will continue to grow and its decision-making power gap with Western countries and Japan will narrow. However, U.S.'s voting share in IMF only slightly dropped from 17.78% in 1997 to 16.75% in 2012. Together with its partners of Western developed economies and Japan, the total U.S. share accounts for more than 50% shares, which China is unlikely to compete with on its own. The situation is similar in the World Bank and Asian Development Bank, despite the fact that major Western countries will have to accommodate China's request for more power in international economic and financial institutions. Without China's cooperation, the global imbalance problem is not likely to be corrected (Bergsten, 2006). Although China is not yet able to secure enough voting power in global economic issues, its say in global economic and financial issues have increased as a result of its growing economic power. The World Bank's appointing Justin Yifu Lin as the Bank's Senior Vice President, Development Economics, and Chief Economist, as well as the proposal of the forming of informal "Group of Two," are indicators of China's growing geo-economic power resources (Bergsten, 2009).

[Table 2]

China's growing economic power is also reflected in its participation in international affairs. In 1997, China's contribution to the United Nations' (UN) regular budget amounted to US$9.23 million, which is 0.74% of the world, ranking in the 19th place. In 2012, its ranking improved to sixth place as the contributions rose to US$144.7 million, accounting for 5.15% of the world.[7] The U.S. remains the single largest contributor, with a steady 22% share of total contributions since 2001, followed by Japan that contributes more than 10%. If the trend continues, China will soon surpass Germany, France, and United Kingdom, whose contribution share remains steady from 5% to 7%, and become the third largest contributor to the UN. In the early 1990s when China was criticized for contributing too little to the UN relative

[6] ADB Annual Report. Retrieved from http://www.adb.org/documents/series/adb-annual-reports.
[7] The data is from "Assessment of Member States' contributions to the United Nations regular budget", <http://www.un.org/en/ga/contributions/budget.shtml>.

to its rapidly growing economy, Beijing fought back by arguing that its economic strength was overestimated if the statistics took into consideration in its large population (Kim, 1999). Now China has become richer and more confident in participating in international organizations.

To sum up, China's power as resources has increased tremendously over the past two decades. Its outstanding BOP performance makes it financially secure enough to elevate its capability in military forces and resource acquisition while maintaining a sound external financial state. It has also become more confident and played more important roles in intergovernmental organizations. Its external strength has improved and vulnerability reduced. However, China might not yet be capable of transforming its resources fully into coercive power due to its continually lagging level of technological achievement and its relatively weaker power in major international organizations to the U.S. Although China has seen gradual improvement in those areas, there is still a long way to go before it exceeds Washington's geo-economic strength.

4.2 China's Relational Power

In addition to power resources, a country's influence can depend on its relationship with other countries and how its power resources relate to other countries. Commercial liberalism, for example, states that greater economic interdependence can promote peace among countries due to the high costs following the cease of international trade (Mansfield and Pollins, 2001). Here I investigate the relationship between China's bases of power and its regional players. Aspects of interests here include China's trade relationship with others, inward and outward FDI situation, foreign aid, and foreign reserves holding.

First, China has emerged as the most important import buyer in the region. In table 3, I categorize China's importing and exporting volume from regional countries and the percentage accountable for each country's total exports and imports. In 1997, China was only one of the important buyers in East Asia. Its import percentage accounted for only about 20.7% in Northeast Asia, 5.1% in Southeast Asia, and 4.3% in regional powers' total exports.[8] Besides being the biggest import buyer in Mongolia and North Korea, China merely ranked 4th to 25th in the rest of the countries. By 2009, China's buying power surged significantly and it became the biggest buyer in all five Northeast Asian countries. On average, China accounted for 55.9% of total exports from Northeast Asia. In Southeast Asia, China was the biggest buyer in four countries and the second biggest buyer in five countries, with imports of on average

[8] Northeast Asian countries include Japan, Mongolia, North Korea, South Korea and Taiwan. Southeast Asian countries are ten ASEAN members. Regional powers include India, Pakistan, Russia, United Kingdom and United States.

26.2% of total exports from those countries. Among them, Singapore, the Philippines, Cambodia, Laos, Malaysia, and Thailand depend on China for more than 30% of their exports. Most East Asian countries are extremely dependent on international trade, which make them more vulnerable to China's power as a buyer. Other regional great powers, although less dependent on trade, still expect China to buy more for correcting their current account deficit. They only sell on average about 12.6% of their total exports to the world, albeit China became the biggest buyer in India and Russia. China's surging buying power also allowed them to become a major importer of global natural resources, such as copper, iron, coal, oil, and cotton. These commodities are more sensitive to the fluctuation of supply and demand. In 2001, according to *Asian Development Outlook 2013*, China's shares of global consumption of nonrenewable energy resources, major agricultural crops, and base metals were 20%, 23%, and 40%, respectively. It is the world's largest consumer of milled rice, cotton, coal, iron ore, nickel, refined aluminum, refined copper stainless steel, tin, and zinc. The report expects China to become a "shock emitter" to resource-rich countries through its influence on resource prices in global markets (Asian Development Bank, 2013).

[Table 3]

Some evidence shows that China is capable of transforming its buying power into economic statecraft. A research found that countries that receive the Dalai Lama are likely to face China's short-term trade retaliation of cutting imports (Fuchs and Klann, 2013). Norway received similar pressure when its export of salmon to China dropped by half due to the Norwegian Nobel Committee's selecting Liu Xiabo as the 2010 Nobel Peace Prize recipient. A similar strategy was used on the Philippines where agriculture accounted for one-fifth of the country's economy and banana is the second largest exporting agricultural goods. In 2012 when China tried to force the Philippines to back down on territorial disputes over the Scarborough Shoal in South China Sea, their banana export was confronted with tighter quarantine inspections (Reilly, 2012). Beijing has shown its intention to unify Taiwan by means of "buying," rather than "conquering," by securing good deals to purchase over-produced Taiwanese fruits and vegetables, as well as encouraging mainland Chinese tourists to spend money in Taiwan. China's dominant influence on Mongolia is manifested in its purchases of 91% of Mongolia's total exports in 2011 as well. In 2009, when China limited its import of Mongolia-made commodities, the resulting 1.9% economic contraction brought about the collapse of Mongolia's largest bank. Scholars attribute this as one of China's major influencers on shaping Mongolia policies (Reeves and Pardo, 2013).

China is an exporting giant in the world. It was the biggest or the second biggest seller of interest for 19 out of 20 countries in 2009. These exclude Cambodia, Myanmar, Vietnam, Mongolia, North Korea, and Taiwan, however, as none of them is heavily reliant on China's exports. Besides, China's major exporting goods are manufactured goods that can be easily substituted in the world market. Since exports to the other countries are less strategically important, pricing of those goods are also less sensitive to China's potential harassment. Compared to China's surging buying power, China's exports are less likely to constitute effective threats to others. One exception might be China's control of rare earth, which amounts to 97% of the worldwide trade, although it only accounts for a small portion of bilateral trade. Beijing once stopped exporting rare earth elements to Japan after the China-Japan maritime standoff in Diaoyu/Senkaku islands in September 2010. Since then, Japan actively sought alternative materials and import sources. In 2012, its import demands from China decreased, which led to difficulties among Chinese manufacturers. Ultimately, China's rare earth ban failed to constitute an effective diplomatic tool to threaten Japan (The Japan Times, 2012). In sum, China's current account surplus in its BOP with Western countries might strengthen its foundation of power as resources but is less of a threat than its deficit with regional countries. In other words, China's earnings from the Western hemisphere have been used to increase its influence as a powerful buyer in the Eastern hemisphere. Its geo-economic strength, in terms of relational power, has significantly risen in the region rather than in the world.

Second, China's outward and inward FDI relationship with other countries may increase or decrease China's geo-economic strength. If China's outward FDI amounts to a large share of economic development in the targeted countries or region, or are to strategically important industries, China's relational power will be strong. On the other hand, if China's inward FDI greatly affects its economic growth or strategic situation, it would curb China's relational power. As mentioned in the last section, China's outward FDI only accounts for a small portion in the region and the world. Most of its outward FDI were distributed to mining and leasing and business services sectors, and accounted for 23.6% and 36.2% of total outward investments in 2009. In terms of its FDI destination, about 63% were directed to Hong Kong while only 13%, 8.6%, and 8% went to Latin America, Asia, and Western developed countries, respectively. On the face value, China's outward FDI does not play important roles to host countries. However, most Chinese MNCs are state-owned and are more sensitive to directions from the central government. This may generate some leverage with host countries, especially developing countries that need China's more favorable terms to explore natural resources. This is evident in China-Sudan relations, which is founded upon China's investment in Sudan's oil and infrastructure projects. In the Darfur crisis and South Sudan's independence, the international society looked to China for giving

Khartoum enough political pressure to end long-standing bloodshed. Beijing's influence may be strong in several developing countries because of its investments, but it has become more difficult to acquire sensitive industries from its global rivals. In the U.S., for example, China's state-owned oil company, China National Offshore Oil Corporation (CNOOC), had failed to acquire a California based oil company Union Oil Company of California (UNOCAL), which became defunct in 2005. The deal died in the end due to political pressures in the U.S. for fear of China's surging influence on U.S.'s energy security. Although Chinese state-owned enterprises, especially national oil companies, still accounted for the greatest share of foreign investors in oil and gas industries in North America, the deals were made possible only when China accepted to purchase only a portion of it and focus on the partnership relationship instead (Dezember and Areddy, 2012). For China, holding foreign assets in such a way is less likely to result in effective influence on host countries.

China's inward FDI as a percentage of GDP, on the other hand, equaled to 3.8% in 2011, which is relatively low compared to other countries, such as Mongolia and Singapore whose inward FDI that accounted for 53.8% and 22.8% of their GDP.[9] Employment of foreign-invested enterprises equaled to 5.46% and their contribution to China's GDP were 3%-6% in 2009. Among those inward FDI, 62.7% came from Asian countries. Among them, more than 45% were Hong Kong investors, which would not constitute a threat to China at all. Western developed countries merely accounted for 8.8%. Most investments were made in manufacturing and service sectors while only a small portion went to primary and mining sectors. In 2009, only 1.6% of FDI went to primary industries and 0.6% went to mining industries while 52% and 45.8 were respectively invested in manufacturing and service industries (Li, 2013). Private MNCs acquired China's assets merely to pursue China's fast-expanding markets rather than for a strategic purpose. Foreign ownership in mainland Chinese assets does not yet constitute a potential threat to China. To sum up, China's outward and inward FDI situation does not create significant geo-economic potential in the region and the world but it may give China some leverage in several developing countries that need Chinese capital for infrastructure developments. These countries, nevertheless, are not major global powers.

Third, foreign aid is another potential power basis for donor countries. It can be either unrequited transfers or debt forgiveness in a country's current and capital accounts in the BOP. From 1997 until 2012, China remained a net aid recipient, which means that it received more foreign aid than it gave. Its global influence as an aid donor was not comparable to major Western donors, such as United States, France, or

[9] World Bank, Foreign direct investment, net inflows (% of GDP)

Germany. When these four countries unrequitedly gave out US$69 billion on average in 2011, China received US$25.3 billion. Although China has increased its foreign aid and the transfers received have decreased, the gap between China and Western countries' global donation is still significant. From the regional perspective, however, China has increased its aid to Southeast Asia. It is estimated that China's aid to Southeast Asian countries increased from a total of US$36 million in 2002 to US$6.7 billion in 2007 (Lum et al., 2009). With laxer aiding conditions than other Western donors, China has signaled its reluctance to use economic incentives to change the behaviors of recipients but has tried to bring reciprocity. In addition, China's political system and value system are closer to that of Southeast Asian. All these reasons make China's money more attractive. Take China-Vietnam relationship as an example. Although both see each other as an adversary, it is estimated that, including grants and loans, China has become the second largest aid provider to Vietnam. The number of grants and loans to Vietnam amounted to US$200 million, only second to Japan. China also offered generous loan programs to help develop infrastructure in Vietnam. Projects include electricity, roads, school, hospital and telecommunication. These projects not only benefit the poor in Vietnam but also create tight interconnectivity between both countries. China's behavior is considered an utilization of soft power aimed at opening Vietnam's markets to Chinese goods, as well as securing interests of potential natural resources Vietnam possesses (Lum et al., 2008). In brief, while China may not become an influential donor around the world, its relative regional leverage is gradually on the rise.

Fourth, a country's foreign reserves can serve as a potential economic statecraft if a large holder of foreign reserves suddenly dumps the sum to attack the target's foreign exchange. China's total reserves in 2012 equaled to US$3.3 trillion, among which over 99% were foreign-exchange reserves. As mentioned earlier almost all reserves are denominated in dollars, euros, pounds, and yen. It is speculated that China's large amount of U.S. Treasury bill holding will become a leverage to use against Washington. Indeed, China has become at least the second largest lender to the U.S. since mid-2000s. The global share of China's U.S. Treasury holding equaled to 9.4% in 2007, rose to its recent peak of 15.19% in 2009, and dropped to 12% in 2012.[10] In 2012, Japan once again became the largest creditor to the U.S. The question therefore would be: will Beijing's change of portfolio in foreign reserves holding threaten Washington? It seems unlikely, for two reasons. First, although China is one of the major U.S. Treasury bond holders, other countries also rely heavily on them to stabilize their exchange rates. Therefore, when China diversifies

[10] Major Foreign Holders of U.S. Treasury Securities, U.S. Department of the Treasury, retrieved from http://www.treasury.gov/resource-center/data-chart-center/tic/Pages/ticsec2.aspx.

its foreign reserves portfolio away from the U.S., other countries would enter the market and fill the gap. It is evident that when China started to lower its U.S. bond holdings, Japan, United Kingdom, Singapore, Taiwan, and South Korea increased their U.S. bond holdings (see table 4). As long as the U.S. dollar is still the main foreign exchange currency in global markets, China is less likely to effectively flex its muscles. Second, since China holds a large amount of dollar-denominated financial assets, it would suffer economic loss from drastic depreciation of the dollar and appreciation of the renminbi as well. According to William Cline's calculation, a one percent rise in renminbi's real effective exchange rate will harm China's exports as it would lead to a drop in its current account surplus, and cost 0.3% to 0.45% percent of China's GDP. If renminbi appreciates 10%, China's current account surplus will be down by US$170 to 250 billion (Cline, 2010). As a consequence, China would try to maintain a stable peg to the U.S. dollar, which makes the holding of U.S. bonds less likely to become a threat to Washington. In sum, China's large amount of foreign reserves can best be seen as a potential power that is either ineffective or will create mutual damages. In reality, China may not take much advantage in this creditor-debtor relationship.

[Table 4]

To sum up, judging from the BOP situation, China's global relational power is more salient in its surging buying power around the world, which may create effective pressure to international societies. In terms of FDI, foreign aid, and foreign reserves accumulation, China's global relational power still falls short of effective pressure in the world and is not comparable to Western countries. In the regional context, however, China has become the biggest buyer and seller as a whole. Its rising outward FDI and foreign aid in the region and the developing world will give it more leverage in several countries. China's geo-economic relational power in the region is saliently on the rise.

5 Conclusion

This paper contributes to the debate of the global imbalance problem. It argues that China's geo-economic power is not rising relative to its fast-growing current account surplus and foreign reserve holdings. China is still not at a place to transform resources it possesses to effective economic statecraft. Its relative geo-economic power, at best, is approaching that of the U.S. but there is still a large gap to fill. However, one should take heeds of four aspects of China's rise.

First, China's fast-accumulation of capital, made possible by huge trade surplus and inward FDI, has made it the second largest global and the regional buyer. Its power as a major global buyer is approaching that of the U.S., which accounts for 41.4% of total imports to both countries. While China's internal market is expected to keep rising, along with its continually growing influence toward correcting global imbalance, China will make even more purchases and will soon surpass the leading place of the U.S. Its influence on the purchases of many primary goods makes the prices sensitive to China's needs. It further elevates China's position in global markets. When China needs to exert pressure to the world, this may be the most likely economic statecraft for China to adopt in the upcoming future.

Second, China's growing geo-economic power is more salient in the region than in the world. This is manifested in its military buildup and rising economic interdependence between China and the region. The strength of the People's Liberation Army (PLA) will continue to grow if China maintains its outstanding economic performance. Further, since China is still a land power, its military expenditure on maritime power-projection capabilities will be constrained by the needs for continental defense (Ross, 2009). As a result, its relative military strength in the adjacent region will rise significantly. Its global power stretch is less likely to become a threat, however. The rising economic interdependence relationship will make East Asian countries rely more on their Chinese counterpart. Washington's regional influence is in decline, which makes a U.S.-favored Asia-Pacific regional plan on the wane and a China-favored East Asian regionalism on the rise.

Third, China's growing geo-economic power will face obstacles if its economic performance falters in the future. Readings from China's BOP from 2009 to 2012 show that although China's exports of goods continues to rise, its imports of goods are rising even faster. Its trade deficit in service sectors has increased swiftly, negatively influencing China's current account. Financial inflow in Beijing's financial account has been in the negatives for the first time since 1999. Should the trend continues, halt in growth of both accounts that would limit its geo-economic capability will put financial pressure on China. However, this possible upcoming trouble can be remedied with the growth of China's internal market and its ability to attract foreign investors. Such internal growth can make up for the loss in national coffer made by declining growth in China's external revenues.

Fourth, in addition to possible decline in growth, China's geo-economics will be limited if the development of technological level remains stagnant. This is one of the key factors for an upgraded military capability and economic growth. Recent trend shows that China still has a long way before it will catch up with developed countries. Such qualitative improvement is a way to further its quantitative growth. This might be a key to determine how quick and how much China's growth in its geo-economic capabilities can be.

REFERENCES

Baldwin, D. A. (2013) *Handbook of International Relations*, ed. W. Carlsnaes, T. Risse and B. A. Simmons, Thousand Oaks, CA, SAGE Publications, pp. 273-97.

Bank, A. D. (2013) *Asian Development Outlook 2013: Asia's Energy Challenge*, Mandaluyong City, Philippines, Asian Development Bank.

BBC (2013) 'China's ambitious plans for its huge reserves', *BBC*, May 19.

Beckley, M. (2011) 'China's century?: Why America's edge will endure', *International Security*, 36, 41-78.

Bergsten, C. F. (2006) *Reforming the IMF for the 21st Century*, ed. E. M. Truman, Washington DC, Peterson Inst for International Economics, pp. 279-92.

Bergsten, C. F. (2009) 'Two's company', *Foreign Affairs*, 88, 169-70.

Chey, H.-K. (2013) 'Can the renminbi rise as a global currency? The political economy of currency internationalization', *Asian Survey*, 53, 348-68.

Cline, W. R. (2010) *Policy Brief*, Washington DC: Peterson Institute for International Economics.

Dezember, R. and Areddy, J. T. (2012) 'China foothold in U.S. energy', *Wall Street Journal*, March 6.

Dreher, A., Fuchs, A. and Nunnenkamp, P. (2013) 'New donors', *International Interactions*, 39, 402-15.

Drezner, D. W. (2009) 'Bad debts: assessing China's financial influence in great power politics', *International Security*, 34, 7-45.

Eichengreen, B. J. (2011) *Exorbitant Privilege : The Rise and Fall of The Dollar and the Future of the International Monetary System*, Oxford ; New York, NY, Oxford University Press.

Fuchs, A. and Klann, N.-H. (2013) 'Paying a visit: The Dalai Lama effect on international trade', *Journal of International Economics*.

Glaser, B. (2006) 'U.S.-China relations: promoting cooperation, managing friction', *comparative connections: A Quarterly E-Journal on East Asian Bilateral Relations (CSIS)*, 8.

International Monetary Fund (1997) *International Monetary Fund Annual Report 1997*, International Monetary Fund.

International Monetary Fund (2010) *Balance of Payments Manual, Sixth Edition (EPub)*, International Monetary Fund.

International Monetary Fund (2012) *International Monetary Fund Annual Report 2012: Working Together To Support Global Recovery: Working Together To Support Global Recovery*, International Monetary Fund.

Jensen, N. M. (2003) 'Democratic governance and multinational corporations: political regimes and inflows of foreign direct investment', *International Organization*, 57, 587-616.

Kennedy, P. M. (1987) *The Rise and Fall of the Great Powers : Economic Change and Military Conflict from 1500 to 2000*, New York, NY, Random House.

Kim, S. S. (1999) *China Joins the World : Progress and Prospects*, ed. E. Economy and M. Oksenberg, New York: Council on Foreign Relations Press, pp. 42-90.

Kubny, J. and Voss, H. (2010) ‘The impact of Chinese outward investment: Evidence from Cambodia and Vietnam’, Bonn, Germany: Deutsches Institut für Entwicklungspolitik.

Lampton, D. M. (2008) *The Three Faces of Chinese Power : Might, Money, and Minds*, Berkeley, CA, University of California Press.

Li, Z. (2013) 'How foreign direct investment promotes development: the case of the people's republic of china's inward and outward fdi', *ADB Economics Working Paper Series*.

Lum, T., Fischer, H., Gomez-Granger, J. and Leland, A. (2009) 'China’s foreign aid activities in Africa, Latin America and Southeast Asia', *Congressional Research Service Report*, 40361.

Lum, T. G., Morrison, W. M. and Vaughn, B. (2008) 'China's" soft power" in Southeast Asia', *Congressional Research Service Report*.

Mansfield, E. D. and Pollins, B. M. (2001) 'The study of interdependence and conflict recent advances, open questions, and directions for future research', *Journal of Conflict Resolution*, 45, 834-59.

Reeves, J. and Pardo, R. P. (2013) 'Parsing China's power: Sino-Mongolian and Sino-DPRK relations in comparative perspective', *International Relations of the Asia-Pacific*, Forthcoming.

Reilly, J. (2012) 'China's unilateral sanctions', *The Washington Quarterly*, 35, 121-33.

Ross, R. S. (2009) 'China's naval nationalism: sources, prospects, and the US response', *International Security*, 34, 46-81.

Samphantharak, K. (2011) 'The rise of China and foreign direct investment from Southeast Asia', *Journal of Current Southeast Asian Affairs*, 30, 65-75.

Subramanian, A. (2011) 'Inevitable superpower: why China's dominance is a sure thing, The', *Foreign Affairs*, 90, 66-78.

Swaine, M. D., Mochizuki, M. M., Brown, M. L., Giarra, P. S., Paal, D. H., Odell, R. E., Lu, R., Palmer, O. and Ren, X. (2013) *China's Military and the U.S.-Japan Alliance in 2030: A Strategic Net Assessment*, Washington DC: Carnegie Endowment for International Peace.

The Japan Times (2012) 'China losing rare-earth diplomatic leverage over Japan; exports hit lowest level in 10 years', *The Japan Times*, October 25.

The World Bank (1997) *The World Bank Annual Report 1997*, World Bank.

The World Bank (2012) *The World Bank Annual Report 2012*, World Bank.

Thompson, H. (2007) 'Debt and power: The United States' debt in historical perspective', *International Relations*, 21, 305-23.

United Nations Conference on Trade and Development (2005) *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D,* Switzerland, United Nations.

Xinbo, W. (2010) 'Understanding the geopolitical implications of the global financial crisis', *The Washington Quarterly*, 33, 155-63.

Table 1. China's Current Account and Financial Account Balance from 1997 to 2012 (hundred million US$)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Current Account	370	315	211	205	174	354	459	687	1,608	2,499	3,718	4,261	2,611	3,054	2,017	1,931
Goods & Service	428	438	306	289	281	374	361	493	1,248	2,089	3,075	3,489	2,201	2,321	1,883	2,318
Goods	462	466	360	345	340	442	447	590	1,342	2,177	3,154	3,607	2,495	2,542	2,435	3,216
Service	-34	-28	-53	-56	-59	-68	-86	-97	-94	-88	-79	-118	-294	-221	-552	-897
Income	-110	-166	-145	-147	-192	-149	-78	-35	106	118	257	314	73	304	-119	-421
Current Transfer	51	43	49	63	85	130	176	229	254	292	387	458	337	429	253	34
Government	5	1	1	1	-1	-1	0	-1	-2	-1	-2	-2	-2	-3	-26	-31
Private	47	42	48	63	86	131	176	230	256	293	388	460	340	432	278	65
Financial Account	210	-63	52	20	348	323	528	1,107	589	60	704	159	1,769	2,214	2,156	-211
Direct Investment	417	411	370	375	374	468	472	531	678	603	1,214	943	703	1,249	1,704	1,911
Abroad	-26	-26	-18	-9	-69	-25	2	-18	-113	-178	-170	-535	-439	-602	-497	-624
Rept. Economy	442	438	388	384	442	493	471	549	791	781	1,384	1,478	1,142	1,851	2,201	2,535
Reserve Assets	-357	-64	-85	-105	-473	-755	-1,170	-2,064	-2,070	-2,470	-4,617	-4,190	-3,984	-4,717	-3,878	-966
Foreign Exchange	-349	-51	-97	-109	-466	-742	-1,168	-2,067	-2,089	-2,475	-4,619	-4,178	-3,821	-4,696	-3,848	-987

Table 2. China's Voting Share and Contributions in International Organizations

		1997	2012
Voting Share	IMF (%)	2.28	3.81
	World Bank (IBRD) (%)	2.89	5.48
	Asian Development Bank (%)	5.5	5.5
Contributions	United Nations (US$ mil. / % / ranking)	9.23 / 0.74 /19th	144.7 / 5.5 / 6th

Table 3. China's Buying and Selling Power in 1997 and 2009

Country/Region	1997						2009					
	China's Buying Power			China's Selling Power			China's Buying Power			China's Selling Power		
	Ranking	mil. US$	PCT. (%)	Ranking	mil. US$	PCT. (%)	Ranking	mil. US$	PCT. (%)	Ranking	mil. US$	PCT. (%)
Japan	3	28,989.6	8.7	3	41,827.5	15.9	1	193,325.0	35.6	1	123,662.6	14.7
Mongolia	1	188.3	52.4	2	63.3	16.5	1	1,299.8	81.0	2	549.7	31.8
North Korea	1	121.6	23.0	1	587.8	53.1	1	793.2	51.8	1	2,108.8	47.1
South Korea	2	14,885.1	18.4	2	9,974.4	10.6	1	135,472.3	44.4	1	55,738.3	27.3
Taiwan	12	626.5	1.2	3	3,915.2	7.2	1	83,693.9	67.0	1	24,423.5	42.4
NE Asia (avg.)	3.8	8,962.2	20.7	2.2	11,273.6	20.6	1.0	82,916.8	55.9	1.2	41,296.6	32.7
Brunei	NA	0.0	0.0	NA	0.0	0.0	4	284.9	5.2	4	171.4	7.3
Cambodia	4	45.0	9.2	5	56.6	7.3	2	1,695.3	33.1	1	1,367.7	54.4
Indonesia	5	2,673.9	4.6	7	1,518.0	3.9	2	17,946.4	13.6	1	15,705.8	17.3
Laos	12	5.8	2.2	4	4.9	1.3	2	466.1	32.5	2	1,800.5	17.3
Malaysia	8	2,484.9	3.9	7	2,232.0	3.7	1	49,216.8	30.6	1	20,361.6	22.1
Myanmar	4	73.4	9.4	1	626.7	44.9	2	726.1	25.8	1	2,588.7	68.8
Philippines	12	327.3	1.2	10	972.5	2.8	1	19,441.5	36.3	2	5,623.9	13.1
Singapore	5	4,385.4	5.8	5	5,668.4	4.6	1	71,551.2	39.0	2	28,678.9	13.8
Thailand	4	2,004.8	4.6	5	2,260.1	4.5	1	41,729.6	31.4	2	18,911.0	18.6
Vietnam	6	357.1	4.8	6	404.4	5.2	2	7,053.2	14.5	1	20,507.3	34.1
SE Asia (avg.)	6.7	1,373.1	5.1	5.6	1,527.1	8.7	1.8	21,011.1	26.2	1.7	11,571.7	26.7
India	10	897.2	2.7	11	1,028.7	2.9	1	27,457.3	18.0	1	33,810.7	16.2
Pakistan	5	376.2	5.3	7	586.4	6.0	2	1,976.5	11.2	1	3,866.4	15.0
Russia	3	4,084.3	10.2	5	1,260.6	5.1	1	22,580.9	15.1	1	22,926.4	31.5
United Kingdom	25	1,977.2	0.9	12	4,089.5	1.9	4	17,855.4	7.0	1	46,335.3	13.3
United States	10	16,289.8	2.1	4	65,831.7	7.5	3	117,441.1	11.4	1	313,489.0	20.6
Reg. Powers (avg.)	10.6	4,724.9	4.3	7.8	14,559.4	4.7	2.2	37,462.3	12.6	1.0	84,085.6	19.3
Total	**6.9**	**4,252.3**	**9.0**	**5.3**	**7,521.5**	**10.8**	**1.7**	**40,600.3**	**30.2**	**1.4**	**37,131.4**	**26.3**

Table 4. Foreign Portfolio Holdings of U.S. Securities (US$ million)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2000
Japan	1,835,180	1,585,086	1,393,384	1,269,291	1,250,415	1,196,536	1,106,396	1,091,430	1,019,124	771,446	636,940	430,590
(%)	13.84%	12.74%	13.03%	13.17%	12.11%	12.24%	14.23%	15.90%	16.93%	15.50%	14.68%	12.10%
China	1,592,236	1,726,621	1,610,737	1,464,027	1,205,080	922,046	698,929	527,275	340,972	255,497	181,478	92,231
(%)	12.01%	13.88%	15.07%	15.19%	11.68%	9.44%	8.99%	7.68%	5.66%	5.13%	4.18%	2.59%
UK	1,007,581	981,699	798,409	787,887	863,893	920,630	639,587	559,838	491,471	390,392	367,547	533,733
(%)	7.60%	7.89%	7.47%	8.17%	8.37%	9.42%	8.22%	8.16%	8.17%	7.84%	8.47%	15.00%
Taiwan	286,370	232,119	228,403	194,301	149,715	121,003	135,210	126,008	122,881	88,002	70,035	52,065
(%)	2.16%	1.87%	2.14%	2.02%	1.45%	1.24%	1.74%	1.84%	2.04%	1.77%	1.61%	1.46%
Singapore	241,110	212,049	176,157	145,183	160,489	175,358	162,766	144,165	122,325	113,887	83,614	82,207
(%)	1.82%	1.70%	1.65%	1.51%	1.55%	1.79%	2.09%	2.10%	2.03%	2.29%	1.93%	2.31%
Germany	227,093	237,963	195,389	182,142	247,022	265,770	211,169	200,034	189,816	154,457	144,595	206,786
(%)	1.71%	1.91%	1.83%	1.89%	2.39%	2.72%	2.72%	2.91%	3.15%	3.10%	3.33%	5.81%
France	225,063	248,546	193,776	138,779	222,087	221,164	164,216	122,138	117,476	89,951	81,215	74,958
(%)	1.70%	2.00%	1.81%	1.44%	2.15%	2.26%	2.11%	1.78%	1.95%	1.81%	1.87%	2.11%
Norway	212,913	181,484	136,435	118,941	126,642	109,371	74,707	68,211	51,104	33,034	21,490	9,197
(%)	1.61%	1.46%	1.28%	1.23%	1.23%	1.12%	0.96%	0.99%	0.85%	0.66%	0.50%	0.26%
South Korea	147,988	133,374	122,044	113,050	130,692	137,870	124,213	118,257	89,644	91,526	43,937	39,069
(%)	1.12%	1.07%	1.14%	1.17%	1.27%	1.41%	1.60%	1.72%	1.49%	1.84%	1.01%	1.10%
Italy	51,559	42,387	40,953	35,233	35,224	50,189	53,116	50,452	57,748	51,724	55,890	61,056
(%)	0.39%	0.34%	0.38%	0.37%	0.34%	0.51%	0.68%	0.73%	0.96%	1.04%	1.29%	1.72%
Total	**13,261,270**	**12,439,576**	**10,691,397**	**9,640,560**	**10,321,749**	**9,771,725**	**7,777,565**	**6,864,260**	**6,019,234**	**4,978,607**	**4,338,049**	**3,558,182**