Balance of payments and power: assessing China's global and regional interdependence relationship

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Abstract
Global economic imbalance leads to change in the global distribution of economic resources. While some foresee the inevitable decline of U.S. power, others consider China's forthcoming global primacy to be an exaggeration. This paper seeks to contribute to the debate by linking balance of payments (BOP) to power analysis. Dimensions of BOP are connected to Keohane and Nye's two ideal-types of interdependence relationship: realist and complex interdependence. The former relates to the global distribution of aggregate economic resources; the latter emphasizes a detailed investigation of distinct interdependence situations between countries. China's BOP from 1997 to 2012 is assessed through the lens of both ideal-type scenarios. The findings show that China's growing power manifests principally in its rising status as a major global buyer in primary goods and its growing military strength in the region. However, China is confronted with possible slowdown in wealth accumulation and its lagging technological development. At present, the speculation of China's upcoming global primacy may be exaggerated, but its dominant position in the region is indeed on the rise.

Keyword: China, Balance of Payments, Power, Realist Interdependence, Complex Interdependence

1. Introduction

The current global imbalance problem has led to debates regarding changes in global power distribution and the implications for a potential Sino-U.S. rivalry. For the U.S. declinist camp, China is seen as the winner due to its accumulation of abundant financial resources through huge earnings from trade surplus and large amounts of foreign reserves. It is speculated that Beijing's power will soon approach, or even surpass, Washington's. China will possess abundant capital for its military buildup and leverage its place as a major creditor to initiate economic statecrafts. Washington will be at a disadvantage to fend off China's surging power. Such views emphasize the relative amount of quantitative resources possessed by China (Subramanian, 2011; Wu, 2010). The alternative view, however, does not foresee the U.S. in decline. It emphasizes the U.S. advantage in its qualitative capabilities: in terms of military force, innovation, domestic governance, and financial strength. In short, China falls short on innovation and efficiency. The current structure of high economic interdependence will incur great costs 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 advance the debate by linking China's potential power to its external economic relationships. I investigate China's balance of payments (BOP) since 1997, the year the Chinese government began to report its BOP according to the IMF's current instructions. BOP is useful for investigating a country's relative power in the world because it documents transactions between a country and the rest of the world. It shows how much a country earns and the risk it bears relative to other countries. I approach the power analysis by connecting Keohane and Nye's power continuum, from realist to complex interdependence (Keohane and Nye, 1977, pp. 23-37), to the BOP. This approach may shed light on both the quantitative and qualitative arguments of power in the field of international relations. Adopting both approaches, China's BOP is under investigation within both global and regional contexts. The findings show that China's power manifests more in its surging status as a major global buyer of primary goods and with respect to its growing military strength in the region. The challenges China confronts include the possible slowdown in wealth accumulation and the lagging development of technology and production efficiency. In sum, China's upcoming global primacy may be overestimated at present, but its dominant position in the region is on the rise.

In the next section I will discuss the concept of power and its connection to BOP. Following this discussion, I present descriptive statistics related to China's BOP from 1997 to 2012. In Section 4, I discuss China's BOP figure and its quantitative and qualitative implications in both the world and the region. The last section concludes with four implications that might influence global power distribution.

2. Power and Balance of Payments

The concept of power is critical to study a country's relative global status and its potential political and economic influence. Under different scenarios, power may have different meanings. Keohane and Nye (1977, pp. 10-11) conclude that an asymmetric relationship allows the less dependent actor to generate more effective influence on the other. The nature of asymmetrical interdependence highlights the source of power. Two ideal-types of interdependence relationship are identified, realist interdependence and complex interdependence. The former emphasizes the state as the key international actor, the dominance of military issues and the major role of military force; by contrast, the latter highlights the plurality of international actors, the absence of hierarchy among issues and the minor role of military force (Keohane and Nye, 1977, pp. 23-29). Keohane and Nye (1987, pp. 731) later emphasize the need to recognize that both kinds of interdependence are ideal types. The reality usually falls somewhere between the two extremes on that continuum. Although they consider complex interdependence as closer to the late twentieth-century reality, they nevertheless recognize the possibility of a sudden surge in realist interdependence.

The power inside an interdependence relationship manifests in the bargaining process among states. This process can be assessed by calculating the cost a state would suffer if another state were to initiate detrimental policies against it. In a realist setting of political-military interdependence, state-centric military forces play a major role. Strong military capability can inflict huge losses if the opposing country does not submit during the bargaining process. In these situations, power is attributed more to a state's aggregate quantity of controlled resources, such as population, territory, wealth or armies, which make others fearful of being overwhelmed (Baldwin, 2002, pp. 177-178). In a complex-interdependence situation, on the contrary, states resort less often to military means and are more economically interconnected with each other during the bargaining process. More policy alternatives are available to buffer potential costs. For example, if country A imposes an embargo against country B, country B will suffer huge losses only when the imports from country A are irreplaceable and no alternatives can be located. Power in such a situation depends less on the aggregate quantity of resources and more on the nature of the interdependence relationship. The power, based on the context of the distinct relationship, thus needs to be considered according to its various dimensions (scope, domain, weight, costs, and means), which produce different levels of influence to different targets (Baldwin, 2002, pp. 178-179). With certain types of power, if a state's foreign policy against its target corresponds to the target's interests, the relational power is stronger and more effective (Hagström, 2005). To analyze a state's relative power, the interdependence relationship and its nature between actors should be defined.

A country's BOP is useful for investigating a country's relative power situation in the world because it extensively documents the nation's external economic relationships. It can also be an indirect index for assessing situations of realist interdependence. If a state earns more wealth relative to the rest of the world, it possesses relatively more economic resources to develop its military capability. As for the complex-interdependence relationship, economic and social interdependence among states are, at least, no less important. Investigating a country's BOP can contribute to an understanding of its multiple kinds of economic relationships among states, as well as the potential effectiveness of economic statecraft that is a function of both the quantity and quality of economic interdependence. Direct and indirect connections between BOP and the concept of power can thus be investigated.

In this article, the connection between BOP and power is envisaged in the bargaining process where two interconnected states disagree on a certain issue. A state would initiate an economic statecraft to derive political concessions from the other (Baldwin, 1985). Then we should ask about the effectiveness of the economic statecraft for the initiator, as well as the capability of the target to withstand the potential costs. In an asymmetric interdependence situation, a state's capacity is stronger if it is less dependent on others and less vulnerable to potential losses. Dimensions inside BOP generate more potential power when they are controlled by states as policy instruments, rather than by market force, as well as when the alternatives to that dimension are scarce or take a longer time to locate. Below I discuss dimensions of BOP that have greater potential to be translated into effective economic statecraft.

2.1 Current Account and Power

According to the guidelines of the International Monetary Fund (IMF), a country's balance of payments includes its current account, capital and financial account, and statistical error (International Monetary Fund, 2010). The first two are the core elements for analysis in this article.

A country's current account documents its net earnings from international trade, income earned and current transfers received from the rest of the world. A country's aggregate material capability will rise if it earns more income to sustain its military buildup or collect more materials needed for warfare (Hirschman, 1945; Kennedy, 1987). The doctrine of mercantilism, for example, derives from the rationale that urges the national government to realize a larger volume of trade surplus, which is then used to sustain military ambitions. A state can accumulate wealth for political purposes by the realization of trade surplus, net income earned from foreign entities or donations from foreign countries.

Aside from aggregate wealth earned, at least three implications of relational power can be identified. First, if a country is a large importer, it possesses potential power as a buyer. As the price of imported goods is sensitive to changes in international transaction rates, the import's power will be stronger if the importer's market size is huge, and if the exporter's dependence on those goods is high and alternative outlets are hard to find. In such an interdependence situation, the importer's economic statecraft of boycott can influence the price of those goods and lead to great losses for the exporter. As David Lampton (2008, pp. 88-96) suggested, such power can be coercive if a large buyer suddenly uses the refusal of purchases as a threat for political concessions from a target country.

Second, a large exporting country can possess power through a ban on exports. The ban can be powerful when the exports are strategic items or scarce natural resources deeply needed by the importers for security or national development purposes. The exporter's power can increase further if those goods or resources are scarce and the importer cannot find other sources of those assets. The power of selling can manifest in the economic statecraft of embargo or export control initiated by those who control the supply of scarce resources needed in the world market (Grieco and Ikenberry, 2003, pp. 165-166). Then exporters' global bargaining power will rise. The power of selling can also be coercive if exporting countries decide to affect global prices by controlling the volume of supply, which would greatly influence the importers' economies.

Third, current transfers are payments made without asking for anything in return. It is exemplified by foreign aid made voluntarily by donor countries. The conditions included in foreign aid packages made by Western donors have seen their effect in influencing domestic policies in poor recipient countries (Dreher et al., 2013, pp.). The economic statecraft of aid suspension can be powerful if the receiver relies heavily on foreign aid. To sum up, a pertinent power analysis should investigate the structure of the current account situation. According to the above discussion, a country enjoys greater geo-economic power if it becomes a major buyer of global goods, the market for which has high demand and sensitive price mechanisms, or if the country becomes a seller of scarce resources or a large donor to its target.

2.2 Capital & Financial Account and Power

Capital and financial account records changes in asset ownership. As defined by the IMF, debt forgiveness constitutes a large portion of a nation's capital account, but it would yield only a negligible amount in BOP that would fail to have significant implications for that nation's level of power. Financial account consists of direct investment, portfolio investment, other investments and reserve assets that relate to the amount of foreign assets controlled by a country. However, holding too many foreign assets may show that investing countries control more profit-generating instruments in the host country (HC), as in the country's influencing power can be offset by the fact that invested financial resources are partly controlled by foreign entities and governments. If the assets' liquidity is low or the assets are subject to high-risk economic statecraft, such as asset freezing or expropriation, holding many foreign assets might put creditors' national wealth in jeopardy. As a result, holding many foreign assets might not be as advantageous as it seems through the lens of realist interdependence. However, detailed analysis can shed light on a country's relational power in at least two dimensions, which are direct investment and reserve assets.

First, foreign direct investments (FDI) record investments that have lasting influence on the management of foreign assets, where investors have over a 10% share in decision-making power in certain foreign enterprises. Investments with less than 10% equity ownership are counted as portfolio investment, which can also be considered another potential source of economic instrument that can be manipulated by governments. The Asian Financial Crisis in 1997 may be a case in point. However, it might fall short of a high level of influence for three reasons. First, most portfolio investment decisions are made by the private sector and based on market forces rather than government policies. Second, the level of equity ownership accounts for less than 10%, which means weaker control of foreign entities. Third, a financial crisis-hit country may enforce capital controls that harm investors' interests. Therefore portfolio investors are less likely to create powerful economic statecraft. Thus, I suggest that FDI is a more effective economic source for state-initiated economic statecraft.

A larger number of direct investments means greater managerial control over foreign assets. It thus becomes more likely for multinational corporations (MNCs) and their home country to influence managerial decisions in favor of the MNCs' home country and at the expense of the HC. If MNCs are state-owned or if the assets controlled by the MNCs are strategically important to the HC, the MNCs' home country might be capable of generating effective relational power through economic statecraft such as a ban on FDI or through manipulating the supply of strategic goods. If that country's direct investment accounts for a major share, economic sanctions will create domestic economic problems, such as rising unemployment. For example, due to its apartheid policy, several western countries banned investment to South Africa and withdrew existing investments, which caused major losses for South Africa's economy (Levy, 1999). Therefore, to HCs, inward FDI (IFDI) — though beneficial to the domestic economy as it brings financial resources and technology transfers — might sometimes harm the domestic economy. On the other hand, holding too much FDI might create risk for investing countries since their assets are subject to the controls in a HC's jurisdiction. It could inflict damages to investors if HCs expropriate FDI or initiate capital controls. Therefore the power of investing countries might be stronger when the HCs are democracies where nationalization and expropriation are less likely to occur (Jensen, 2003).

Second, a country's reserve assets held by the government are important in showing a country's external vulnerability. When a country enjoys a significant trade surplus, its currency will appreciate. In addition to the policy of capital control, central banks can buy into foreign reserves in order to fend off appreciation pressures. Those reserves are foreign currency denominated assets used to correct trade imbalance. Holding foreign bonds makes trade surplus countries creditors and deficit countries debtors. In these situations, creditors possess the power to influence the debtors' behavior through economic statecraft. Many consider that the dumping of debtor government bonds can be an effective instrument of statecraft for the creditor country (Drezner, 2009), especially when the debtor cannot locate alternative buyers in a short period of time. 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, raising domestic discontent, or causing economic recession, which will cost the government's reputation and legitimacy (Thompson, 2007). Furthermore, governments with a higher debt to GDP ratio typically perform worse in economic growth (Reinhart and Rogoff, 2010). Highly indebted countries also face a higher cost of borrowing due to creditors' fear of default. Therefore, heavily indebted countries would also suffer from the slowed growth, or even loss, of financial power.

In sum, a country's relational power is higher if it becomes a major direct investor in sensitive or important industries in the HCs where political risks are low, as well as an irreplaceable foreign financial assets holder. In both situations, the most effective economic statecraft manipulates the asymmetrical interdependence relationship.

3. China's Balance of Payments

In this section, I analyze China's BOP and the structure of its current account and financial account from 1997 to 2012. I present both 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 in 1997 to US$193 billion in 2012.[1] As shown in table 1, the account surplus reached its peak in 2008, amounting to US$426 billion. This number shows that China has accumulated wealth swiftly, albeit the pace has slowed down since 2008. I subdivide current account into two dimensions: earnings from international trade in goods and services; income and unrequited current transfers from foreign governments and overseas workers. Detailed investigation shows that while China's surplus in traded goods rose steadily, its international trade in services experienced a surging deficit that rose to US$90 billion in 2012 from US$3.4 billion in 1997. Net income received from overseas also swiftly declined to a negative US$42 billion in 2012, which means that China paid more to foreigners than it received. Current transfers from abroad share the same pattern — a decreased 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 the result of growing demand for foreign services, while the earnings from exported goods remained steady. If this situation continues, China's pace of wealth accumulation and its resulting power 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 earnings slowdown comes from 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 figures at face value indicate that China's profitability from doing business 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 was only 2.2%. For the U.S., China also imported more in quantity. However, it only accounted for 0.85% of total U.S. export volume in 2009.

China is considered an export giant around the world and ranked number one with 9.9% of world total export volume in 2012, a huge climb from being number ten in 1997. In East Asia, the percentage increased to 33.6% in 2012. Among the regional players, Vietnam, Malaysia and Singapore depend 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 of US$179 billion. From a regional perspective, China's strength as a seller rises more significantly in Asia than in the world at large. Although it enjoys positive trade relationships with Western societies, the gap has narrowed quickly. On the other hand, its trade deficit in the region has increased even faster. This will create disadvantages for the accumulation of financial resources. If China's exported goods are easily substituted with products manufactured in other countries, Beijing's power as a seller might be in decline.

Aside from trade, China's worldwide income 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 the decline in foreign aid to China from Western countries because of China's astonishing economic growth as well as the growing income or interest rates paid to foreigners. Although this restrains China's accumulation of wealth, albeit not in a significant way, it also indicates that China has stepped up its foreign aid to the developing world. Its external transfers to governments rose from US$4.8 billion in 2007 to US$50.3 billion in 2012. The amount of foreign aid might allow China to gain influence around the world, especially when China's relatively 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 relative strength. China's balance of direct investment in its financial account increased from US$41.7 billion in 1997 to US$191 billion in 2012, as shown in Table 1. This means that foreigners' investment in assets registered in China exceeded Chinese residents' investments abroad. Although China's outward FDI (OFDI) 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 IFDI stock, which records the 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, but the gap has been narrowed.

From the regional perspective, however, China's pace of OFDI 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

OFDI stock (Kubny and Voss, 2010). However, the same number accounted for a mere 0.11% of the total GDP of East Asian countries, which means that China's control of foreign enterprises in East Asia appears weak. East Asia's OFDI 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 1.14% and 0.99% of China's GDP respectively, while the U.S. controlled 0.74% of shares. Southeast Asian countries are increasing OFDI to China, but most of these investments come from overseas Chinese businesses and would therefore cause little geo-economic concern (Samphantharak, 2011).

The world's surging demand for Chinese currency for Chinese goods and markets puts enormous pressure on the renminbi's appreciation. In order to maintain export competition, the Chinese government prints renminbi to maintain a stable exchange rate and continues to accumulate foreign reserves. As can be seen in its financial account, China's annual purchases of reserve assets have increased tremendously from US$35.7 billion in 1997 to US$387.8 billion in 2011. It reached its peak of US$469.6 billion in 2010. According to the IMF, China's cumulative reserve assets amounted to US$3.3 trillion in 2012, which is 2.6-fold larger than 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 pounds, 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 a trade surplus in their dealings with China. This also indicates a likely internationalization of the renminbi in East Asia.

4. China's Balance of Payment and its Power Implication

I assess China's power by linking its BOP to realist and complex interdependence situations in both the global and regional contexts.

4.1 China's BOP and Realist Interdependence

The first approach identifies sources of power in the aggregate amount of particular resources. Here I examine the change of China's basis of power using possession of material resources, financial vulnerability and international influence, all of which result from wealth accumulation.

First, China's BOP shows that it has accumulated financial resources through a 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 IFDI stock as a percentage of GDP was 12.8%. Combined, they 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 the country's high economic growth. In 2000, China spent US$37 billion on military buildup and the number climbed to US$158 billion in 2012. China's military expenditure as a percentage of the world total rose from 2.48% in 1997 to 9.72% in 2012. Although China constantly downplayed its military buildup by emphasizing their steady military expenditure of 2% of total GDP, its relative share of the global military force has increased. In 1997, China ranked number eight in total military expenditure in the world but climbed to second place in 2005. According to an assessment made by a group of policy analysts in Asian affairs, China's rapid economic growth has sustained its grand strategy of acquiring the necessary coercive military force to defend itself against 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 encountered significant economic troubles that would make Beijing divert limited resources toward maintaining internal stability, the threat to the U.S. would drop significantly (Swaine et al., 2013).

The Correlate of War project maintains a power index dataset, the Composite Index of National Capability (CINC), which is comprised of the average ratio of each country's total 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 CINC index of about 0.14, which means that the U.S. controlled roughly 14% of power resources in the world. According to CINC, China surpassed the U.S. in 1996 with its 0.139 CINC while the 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. Dissecting the CINC, China's growing material capability comes from two major sources: their rapid growth in both 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 amounts to 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 a 19.8% share in the world market, surpassing the U.S.'s 19.2% share.[3] In other words, as of 2010 China was directly and indirectly in control of receiving the largest share of world energy production.

Although the CINC index is widely used to approximate state capacity, it nevertheless has been criticized for neglecting a country's level of technology and production efficiency. This is especially true when China uses 19.8% of energy to perform only 9.3% of world total GDP.[4] 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 elevate its physical power in a more efficient way (Glaser, 2006). I use the 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 help 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 the 2012-2013 report.[5] Although China saw some progress in advancing its technology level, it remains 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 came in 77th place, which is way below that of many of its developing global competitors. If this factor is considered, China's power capacity as measured by CINC 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 all important indicators of strength to buffer the potential costs of a crisis. China's continually growing current account surplus helps to accumulate more wealth, which is largely deposited in savings rather than in investments. China's gross savings as a percentage of GDP equaled 52.7% in 2011, an improvement from 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 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. These numbers approach those from seriously indebted countries in Europe.[6] Compared to other major players, 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. 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 IMF and the World Bank. The IMF's actual decision making resides in the Executive Board, which consists of 24 executive directors. As one of the eight 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 the 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 (World Bank, 1997; 2012). By contrast, Beijing's voting share in the Asian Development Bank has remained constant at around 5.5% from 1997 to 2012 (Asian Development Bank, 1998; 2013a). 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, the U.S.'s voting share in IMF only slightly dropped from 17.78% in 1997 to 16.75% in 2012. Together with its partners in Western developed economies and Japan, the total share under U.S. control accounts for more than 50%, which China is unlikely to compete with on its own. The situation is similar in the World Bank and the Asian Development Bank, despite the fact that major Western countries will soon 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 forums, its say in global economic and financial issues has increased as a result of its growing economic power. The World Bank's appointment of Justin Yifu Lin as the Bank's Senior Vice President, Development Economist and Chief Economist, as well as the proposal to establish the informal "Group of Two," are indicative 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 total contributions, ranking China in 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 total.[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 the United Kingdom, whose contribution shares remain 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 to its rapidly growing economy, Beijing fought back by arguing that its economic strength was overestimated if the statistics took into consideration 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 abundant enough to elevate the capability of its military force. 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 lagging level of technological achievement and relatively weak power in major international organizations compared to the U.S.

4.2 China’s BOP and Complex Interdependence

In addition to aggregate power resources, a country’s influence depends on its power relationship with other countries. Commercial liberalism, for example, states that greater economic interdependence can promote peace among countries due to the high costs following the cessation of international trade (Mansfield and Pollins, 2001). Here I investigate the relationship between China’s basis of power and those of its regional partners. Aspects of interest here include China’s trade relationships with others, inward and outward FDI flows, foreign aid and foreign reserves holdings.

First, China has emerged as the most important import buyer in the region. In Table 3, I categorize China's import and export volume from regional countries and the percentage relative to 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. 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, accounting for an average of 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 makes them more vulnerable to China's power as a buyer. Other regional great powers like India and Russia, although less dependent on trade, still expect China to buy in order to help them correct their current account deficit. They only sell on average about 12.6% of their total exports to China, but China has become the biggest buyer in both countries. 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 the Asian Development Bank, China's shares of global consumption of nonrenewable energy resources, major agricultural crops and base metals were 20%, 23% and 40% respectively. China 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 (Aisan Development Bank, 2013).

[Table 3]

Some evidence shows that China is capable of transforming its buying power into economic statecraft. A study found that countries that receive the Dalai Lama are likely to face China's short-term trade retaliation in the form 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 bananas are the second largest exported agricultural good. In 2012 when China tried to force the Philippines to back down on territorial disputes over the Scarborough Shoal in the South China Sea, their bananas export was confronted with tighter quarantine inspections (Reilly, 2012). Beijing has shown its intention to unify with Taiwan by means of "buying," rather than "conquering," by securing good deals to purchase over-produced Taiwanese fruits and vegetables, as well as by encouraging mainland Chinese tourists to spend money in Taiwan. Also, China's dominant influence on Mongolia is manifested in its purchase of 91% of Mongolia's total exports in 2011. 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. Mongolia's subsequent loss of domestic policy autonomy to China is attributed to this asymmetric power structure. (Reeves and Pardo, 2013).

China is an exporting giant who was the biggest or the second biggest seller in 19 out of 20 countries in 2009 (see Table 3). But most countries are not heavily reliant on China's exports except for Cambodia, Myanmar, Vietnam, Mongolia, North Korea and Taiwan. Besides, China's major export goods are manufactured goods that can be easily substituted in the world market. Since exports to 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 an effective threat to others. One exception might be China's control of rare earth, which amounts to 97% of the worldwide trade. Beijing once stopped exporting rare earth elements to Japan after the China-Japan maritime standoff near the Diaoyu/Senkaku islands in September 2010. Since then, Japan has actively sought alternative materials and import sources to buffer the cost. 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). China's current account surplus in its BOP with Western countries might help it to accumulate wealth, but Chinese exports still pose less of a threat to the West than to other countries in the Asian region. It seems that China's earnings from the Western hemisphere have been used to increase its influence as a powerful buyer in the Eastern hemisphere. The asymmetrical complex interdependence situation is favoring China in the region rather than in the world.

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

Beijing's influence may be strong in several developing countries because of its investments, but it has also 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) 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. arising from fear of China's surging role in the U.S.'s energy security. Although Chinese state-owned enterprises, especially national oil companies, accounted for the greatest share of foreign investors in oil and gas industries in North America, those deals were only made possible when China agreed to purchase only a portion of shares and focus on the partnership relationship instead (Dezember and Areddy, 2012). These kinds of investments, however, are less likely to result in effective influence on HCs.

China's IFDI as a percentage of GDP equaled 3.8% in 2011, which is relatively low compared to other countries such as Mongolia and Singapore, whose IFDI accounted for 53.8% and 22.8% of their GDP in the same year.[8] Employment of foreign-invested enterprises equaled 5.46% and their contributions to China's GDP were from 3% to 6% in 2009. Among that IFDI, 62.7% came from Asian countries. Among them, more than 45% were from 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 invested in manufacturing and service industries respectively (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 OFDI and IFDI 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 development. These countries, nevertheless, are not major global powers.

Third, foreign aid is another possibility to create powerful asymmetric relationships in favor of donor countries. It can be through 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. Its global influence as an aid donor was not comparable to major Western donors such as the United States, France or Germany. When these three 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's and Western countries' global donations 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 more lax conditions for aid than other Western donors, China has signaled its reluctance to use economic incentives to change the behaviors of recipients and instead has tried to bring about reciprocity. In addition, China's political system and values system are closer to that of Southeast Asia. All these reasons make China's money more attractive. Take the 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, schools, hospitals and telecommunication. These projects not only benefit the poor in Vietnam, but they also create tight interconnectivity between both countries. China's behavior is considered a utilization of soft power aimed at opening Vietnam's markets to Chinese goods, as well as potentially securing access to Vietnam's natural resources (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 US$3.3 trillion, including over 99% in foreign exchange reserves. Almost all reserves are denominated in dollars, euros, pounds and yen. It is speculated that China's large amount of U.S. Treasury bill holdings will constitute leverage to use against Washington. Indeed, China has become the largest lender to the U.S. since the 2009. Indeed, China has become the largest lender to the U.S. government since 2009. Its share of treasury holdings equaled 21.8% in 2007, rose to its recent peak of 27.9% in 2011, and dropped to 21.6% in 2012.[9] Therefore the likely question is: will Beijing's decrease in foreign reserve holdings 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, if China diversified its foreign reserves portfolio away from the U.S., other countries would enter the market and fill the gap. It is evident in Table 4 that when China started to lower its U.S. sovereign bond holdings, Japan, Brazil, Taiwan, Russia, Belgium, the United Kingdom, Singapore, France and South Korea increased their amount of U.S. bond holdings. The situation is similar with regard to foreign portfolio holdings. As long as the U.S. dollar still remains the major currency in global markets, China is less likely to effectively flex its muscles by means of financial statecraft.

[Table 4]

Second, since China holds a large amount of dollar-denominated financial assets, it would suffer economic losses from a drastic depreciation of the dollar and appreciation of the renminbi. According to William Cline's calculations, a one percent rise in renminbi's real effective exchange rate will harm China's exports 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 US$250 billion (Cline, 2010). As a consequence, China will naturally 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 generate mutual damage. In reality, China may not gain much advantage from this creditor-debtor relationship.

To sum up, China's global relational power is most salient in its surging buying power around the world. In terms of FDI, foreign aid and foreign reserves, 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 on the whole. Its rising OFDI and foreign aid in the region and in the developing world at large will give it more leverage in several countries. China's relational power in the region is significantly on the rise.

5. Conclusion

This paper seeks to link the BOP to the concept of power and assess China's power accordingly. It finds that China's potential aggregate power sources are on the rise, especially in its fast growing current account surplus and foreign reserve holdings. However, these sources of power are not likely to be translated into effective economic statecraft any time soon. Its relative power, at best, is approaching that of the U.S., but there is still a large gap to fill. However, one should take heed of the following four aspects of China's rise:

First, China's fast accumulation of capital has made it the second largest global, as well as regional, buyer. Its power as a major global buyer is approaching that of the U.S., the largest global buyer. While China's internal market is expected to keep expanding, along with the need to correct global imbalances, China's imports may continue to grow quickly and may soon surpass the world leader, the U.S. Furthermore, China's influence on the purchase of many primary goods makes prices sensitive to China's needs, and this further elevates China's position in global markets. In the future when China needs to exert pressure on the world, this may be the most likely economic statecraft to adopt toward that end.

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 asymmetric interdependence. The strength of the People's Liberation Army (PLA) will continue to grow if China maintains its outstanding economic performance. Furthermore, since China is still a land power, its military expenditure on maritime power projection capabilities will be constrained by the continued need for continental defense (Ross, 2009). As a result, its relative military strength in the adjacent region will rise significantly. The global reach of its military power 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 may 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. China’s BOP from 2009 to 2012 shows 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 negative for the first time since 1999. Should the trend continue, the halt in growth of both accounts may limit its geo-economic capability and 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 losses in the national coffers attributed to declining growth in China’s external revenues.

Fourth, in addition to possible decline in economic growth, China’s power will be limited if the technological level remains stagnant. This is one of the key factors for an upgraded military capability and economic growth. Recent trends show that China still has a long way to go 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 quickly and how much China’s growth in its geo-economic capabilities can be.

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

[2] The data comes from the SIPRI Military Expenditure Database maintained by Stockholm International Peace Research Institute. Retrieved from http://www.sipri.org/research/armaments/milex/milex_database.

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

[4] The author thanks the anonymous reviewer who pointed out the inefficiency issue.

[5] The data comes from Global Competitiveness Index, World Economic Forum, which can be accessed at http://gcr.weforum.org/. I do not use the ranking due to the different numbers of countries that are under investigation each year.

[6] Financial data in this section was retrieved from the IMF’s World Economic Outlook Databases.

Retrieved from http://www.imf.org/external/ns/cs.aspx?id=28.

[7] The data is from “Assessment of Member States’ contributions to the United Nations regular budget.” Retrieved from http://www.un.org/en/ga/contributions/budget.shtml.

[8] Data comes from the World Bank’s statistics of FDI and net FDI inflow (% of GDP).

[9] 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.

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Table 1. China's Current, Capital and Financial Account Balance from 1997 to 2012 (US$ billion)

Balance / Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Current Account	37	32	21	21	17	36	46	69	161	250	372	426	261	305	202	193
Goods & Service	43	44	31	29	28	37	36	49	125	209	308	349	220	232	188	232
Goods	46	47	36	35	34	44	45	59	134	218	315	361	250	254	244	322
Service	-3	-3	-5	-6	-6	-7	-9	-10	-9	-9	-8	-12	-29	-22	-55	-90
Income	-11	-17	-15	-15	-19	-15	-8	-4	11	12	26	31	7	30	-12	-42
Current Transfer	5	4	5	6	9	13	18	23	25	29	39	46	34	43	25	3
Government	1	0	0	0	0	0	0	0	0	0	0	0	0	0	-3	-3
Private	5	4	5	6	9	13	18	23	26	29	39	46	34	43	28	7
Capital Account	0	0	0	0	-1	0	0	-1	41	40	31	31	40	46	54	43
Financial Account	-15	-13	-3	-9	-12	-43	-64	-96	-148	-241	-391	-403	-222	-250	-172	-118
Direct Investment	42	41	37	38	37	47	47	53	68	60	121	94	70	125	170	191
Portfolio Investment	7	-4	-11	-4	-19	-10	11	20	-5	-68	19	43	39	24	20	48
Other Investment	-28	-44	-21	-32	17	-4	-6	38	-4	13	-70	-121	68	72	26	-260
Reserve Assets	-36	-6	-9	-11	-47	-76	-117	-206	-207	-247	-462	-419	-398	-472	-388	-97

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. Source: International Trade, 1870-2009 (v3.0), Correlates of War (Barbieri and Keshk, 2012)

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. Major Foreign Holders of Treasuries and Portfolio of U.S. Securities (US$ million). Source: see footnote 10.

	Treasury (US$ billion)						Portfolio (US$ billion)					
Country	2012	2011	2010	2009	2008	2007	2012	2011	2010	2009	2008	2007
China	1147	1307	1112	916	535	477	1,592	1,727	1,611	1,464	1,205	922
	21.6%	27.9%	27.3%	26.5%	20.7%	21.8%	12.0%	13.9%	15.1%	15.2%	11.7%	9.4%
Japan	1108	881.5	799.9	708.2	628	622.9	1,835	1,585	1,393	1,269	1,250	1,197
	20.9%	18.8%	19.7%	20.5%	24.3%	28.4%	13.8%	12.7%	13.0%	13.2%	12.1%	12.2%
Brazil	244	216	164	149	158	95	252	221	169	156	162	106
	4.6%	4.6%	4.0%	4.3%	6.1%	4.3%	1.9%	1.8%	1.6%	1.6%	1.6%	1.1%
Taiwan	196	147	152	114	67	45	286	232	228	194	150	121
	3.7%	3.1%	3.7%	3.3%	2.6%	2.0%	2.2%	1.9%	2.1%	2.0%	1.5%	1.2%
Russia	164	152	168	143	95	34	165	154	170	150	223	148
	3.1%	3.2%	4.1%	4.1%	3.7%	1.5%	1.2%	1.2%	1.6%	1.6%	2.2%	1.5%
Belgium	145	89	35	18	15	15	447	443	408	415	456	396
	2.7%	1.9%	0.9%	0.5%	0.6%	0.7%	3.4%	3.6%	3.8%	4.3%	4.4%	4.1%
UK	138	136	95	91	55	50	1,008	982	798	788	864	921
	2.6%	2.9%	2.3%	2.6%	2.1%	2.3%	7.6%	7.9%	7.5%	8.2%	8.4%	9.4%
Singapore	87	64	53	42	32	36	241	212	176	145	160	175
	1.6%	1.4%	1.3%	1.2%	1.2%	1.6%	1.8%	1.7%	1.6%	1.5%	1.6%	1.8%
Germany	64	64	52	49	52	46	227	238	195	182	247	266
	1.2%	1.4%	1.3%	1.4%	2.0%	2.1%	1.7%	1.9%	1.8%	1.9%	2.4%	2.7%
France	49	45	24	19	15	15	225.1	248.5	193.8	138.8	222.1	221.2
	0.9%	1.0%	0.6%	0.5%	0.6%	0.7%	1.7%	2.0%	1.8%	1.4%	2.2%	2.3%
South Korea	45	34	37	37	41	44	148	133	122	113	131	138
	0.8%	0.7%	0.9%	1.1%	1.6%	2.0%	1.1%	1.1%	1.1%	1.2%	1.3%	1.4%
Total	5311	4691	4070	3461	2587	2192	13,261	12,440	10,691	9,641	10,322	9,772