
A role theoretical conception of China's role in global economic governance

Talk given at Fudan University's School of
International Relations and Public Affairs,
Shanghai

Outline

1. The argument
2. Role theory: between IR + Foreign Policy Analysis
 - Defining element 1: the Self
 - Defining element 2: the other
 - Defining element 3: the historical self
 - Defining element 4: the institutional structure of the Self
3. Role theory and the Foreign policy of the PR China
4. Conclusion

The argument

1. International roles are social positions in a group which are formed by ego and alter expectations of the functional tasks of the role for the group.
2. International roles are not „national identities“. Identities are
 1. Self descriptions
 2. They are not formed by alter expectations
 3. They have no functional connotation for a social group
3. China's role in global economic governance is determined by:
 1. A growing number of corporate actors and citizens preferring the PRC's integration into multilateral regimes and institutions.
 2. An equally determined group of institutions and individuals which resist strong international norms and compliance mechanisms.
 3. The PRC thus opts for larger and shallower rather than for smaller and more integrated institutions.
 4. The support of the US Hegemon through substantially refinancing the US budget deficit.

Role theory

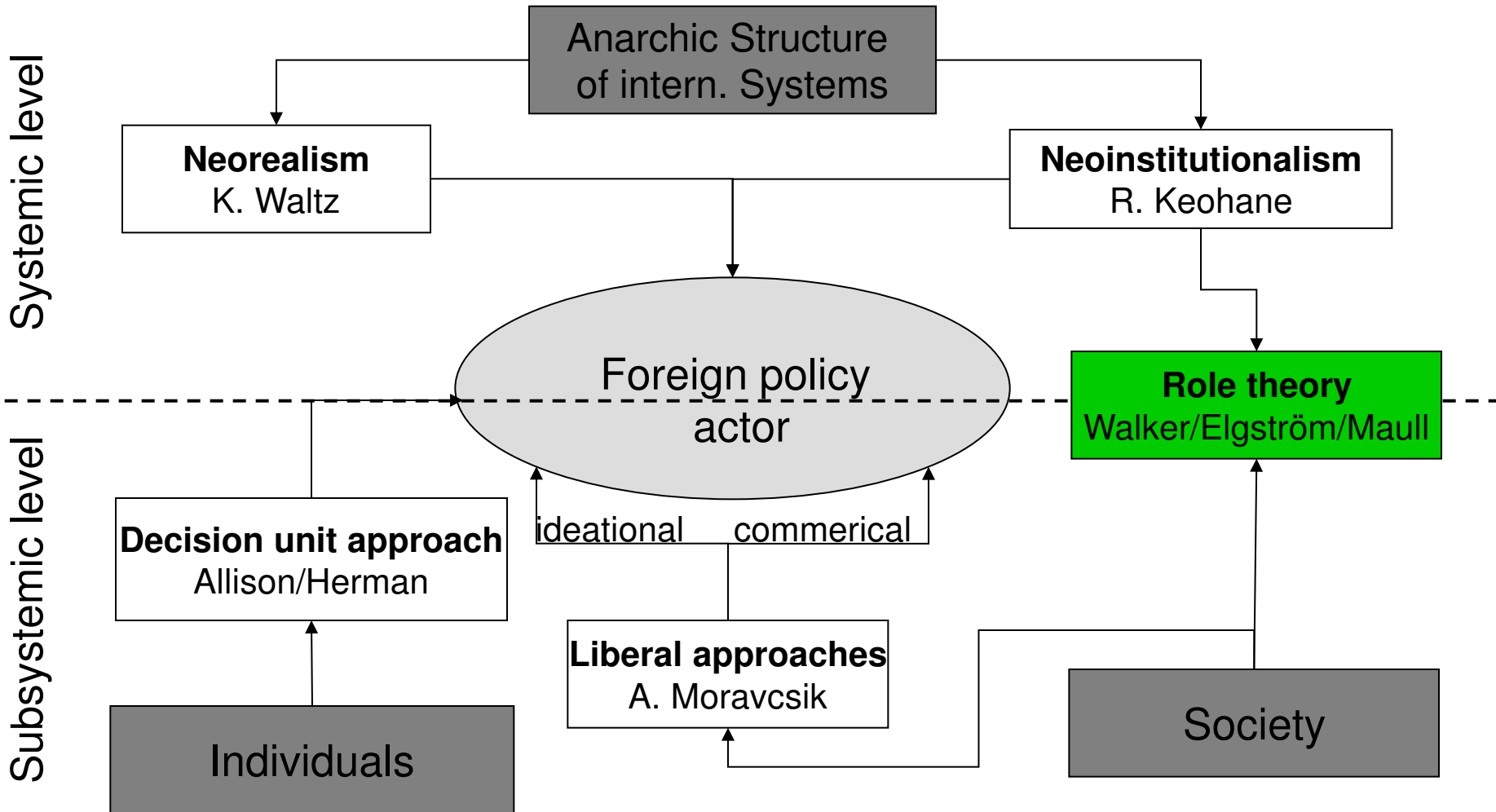
In-between International Relations and Foreign Policy Analysis

International Roles: definition and explanation

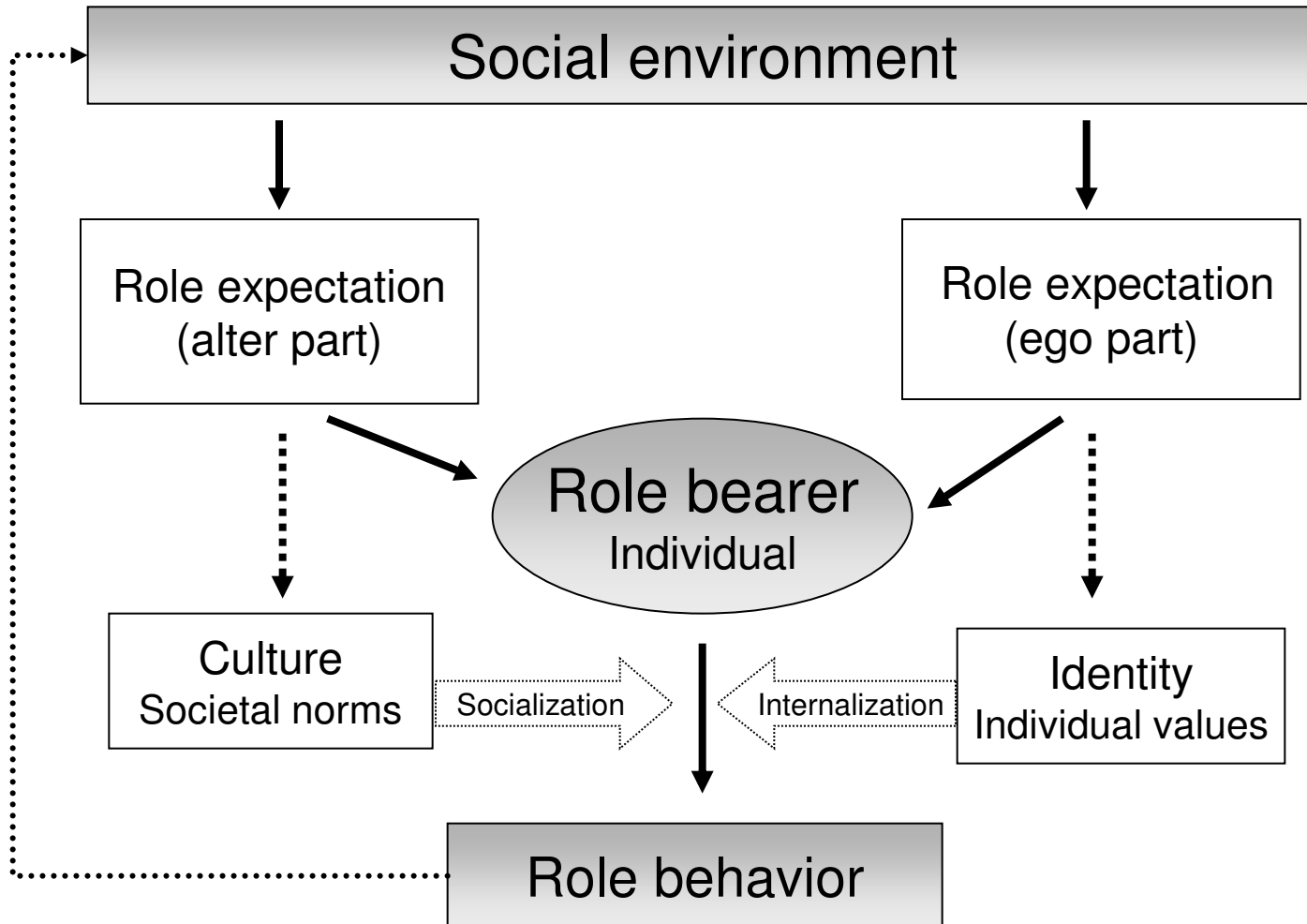
- In role theory, roles are typically defined as social positions which are constituted by ego and alter expectations regarding the purpose of an actor in an organized group
(cf. Thies 2010: 3-4; Andrews 1975: 529).

The position's function in the group is limited in time and scope and it is dependent upon the group's structure and purpose. Whereas some roles are constitutive to the group as such, e.g. a recognized member of the international community, other roles or role sets are functionally specific, e.g. balancer, initiator etc.

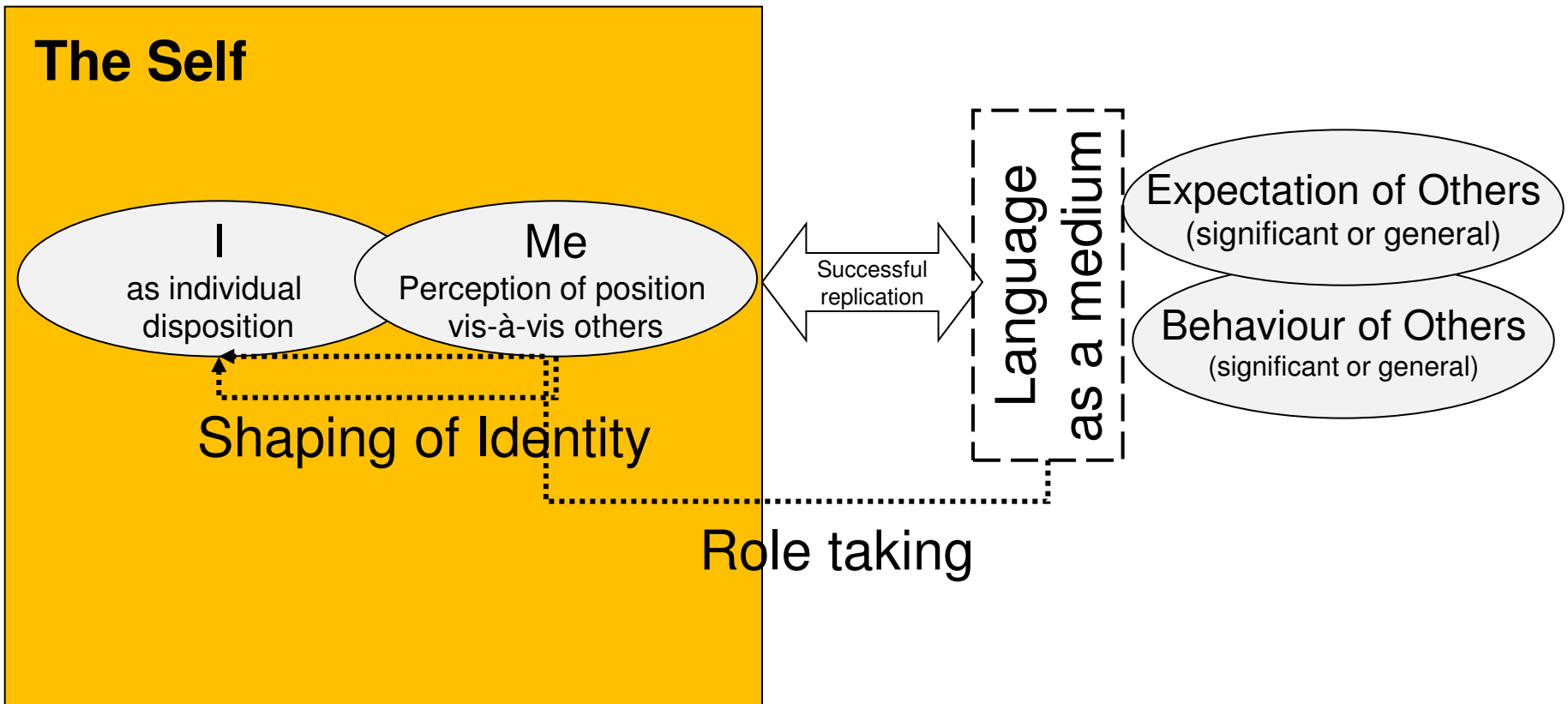
In-Between IR research + Foreign Policy Analysis



“Roles” in International Relations



The Self: the process of self-identification



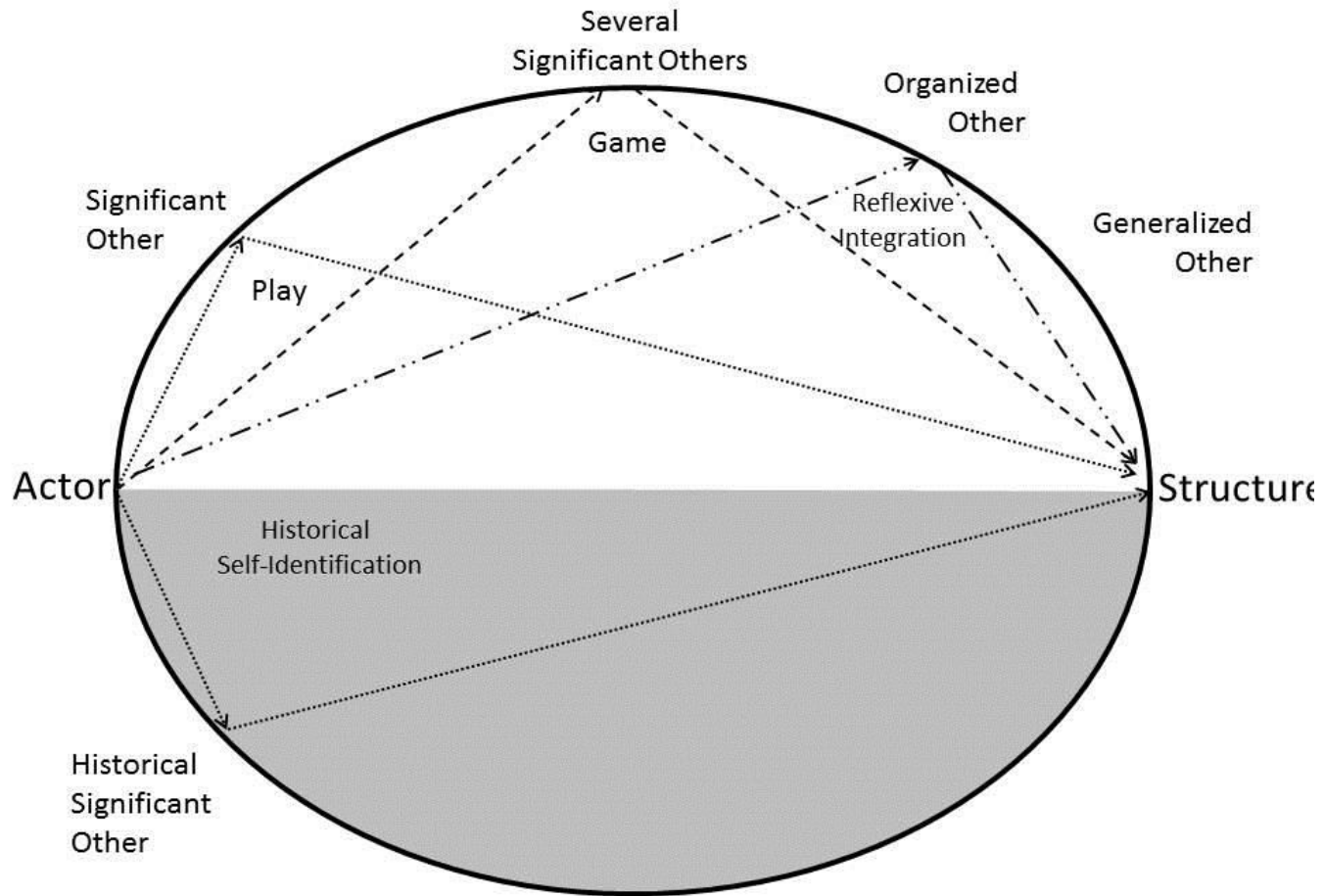
The Other: constitutive for the „Self“

- The generalized “other”: An imagined “other” which serves the “I” as a reference point to identify with a special identity (Chinese) or a social category (human being).
- The significant “other”: A concrete “other” in the process of “primary socialization” (in the family), i.e. parents or siblings. Attributes: small number, high degree of role casting by the “Other” (“ascribed role”).
- The organized “other”: is an institutionalized other, the functional specification of which demands a high degree of role expectations which are regulated and based on division of labor.

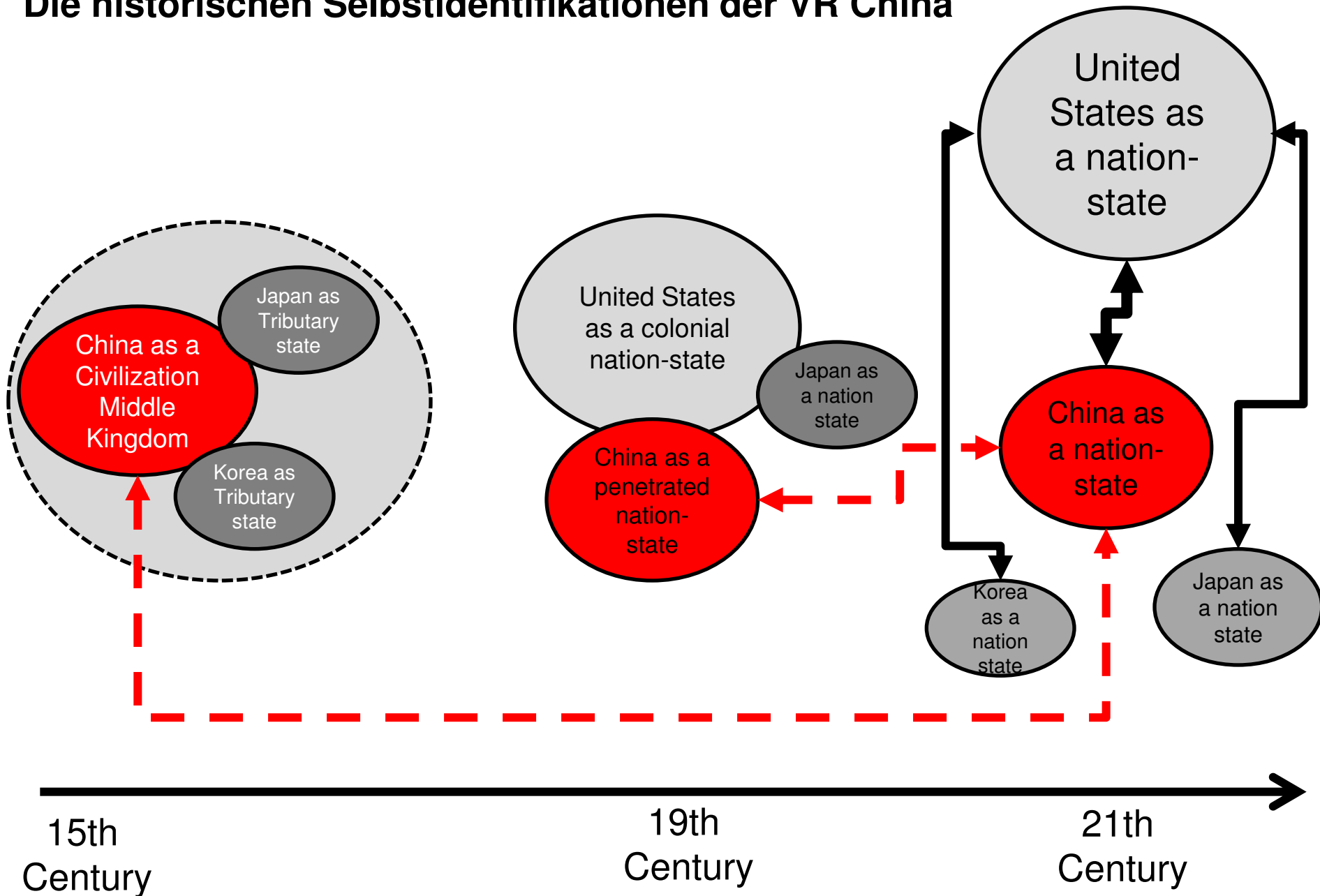
Post World War II Role taking process by PR China

The „Other“	Soviet Union Primary Socializer	Bandung Group (77) Primary Socializers	Soviet Union Primary negative Socializer	Soviet Union / USA Primary negative Socializers
Post WW II Period	1949-1954	1954-1957	1958-1965	1966-1970
The Historical „Self“	China as a Victim (of capitalist domination)	China as a Victim (of capitalist domination)	China as a Victim (of colonial domination)	China as a Victim (of colonial domination)

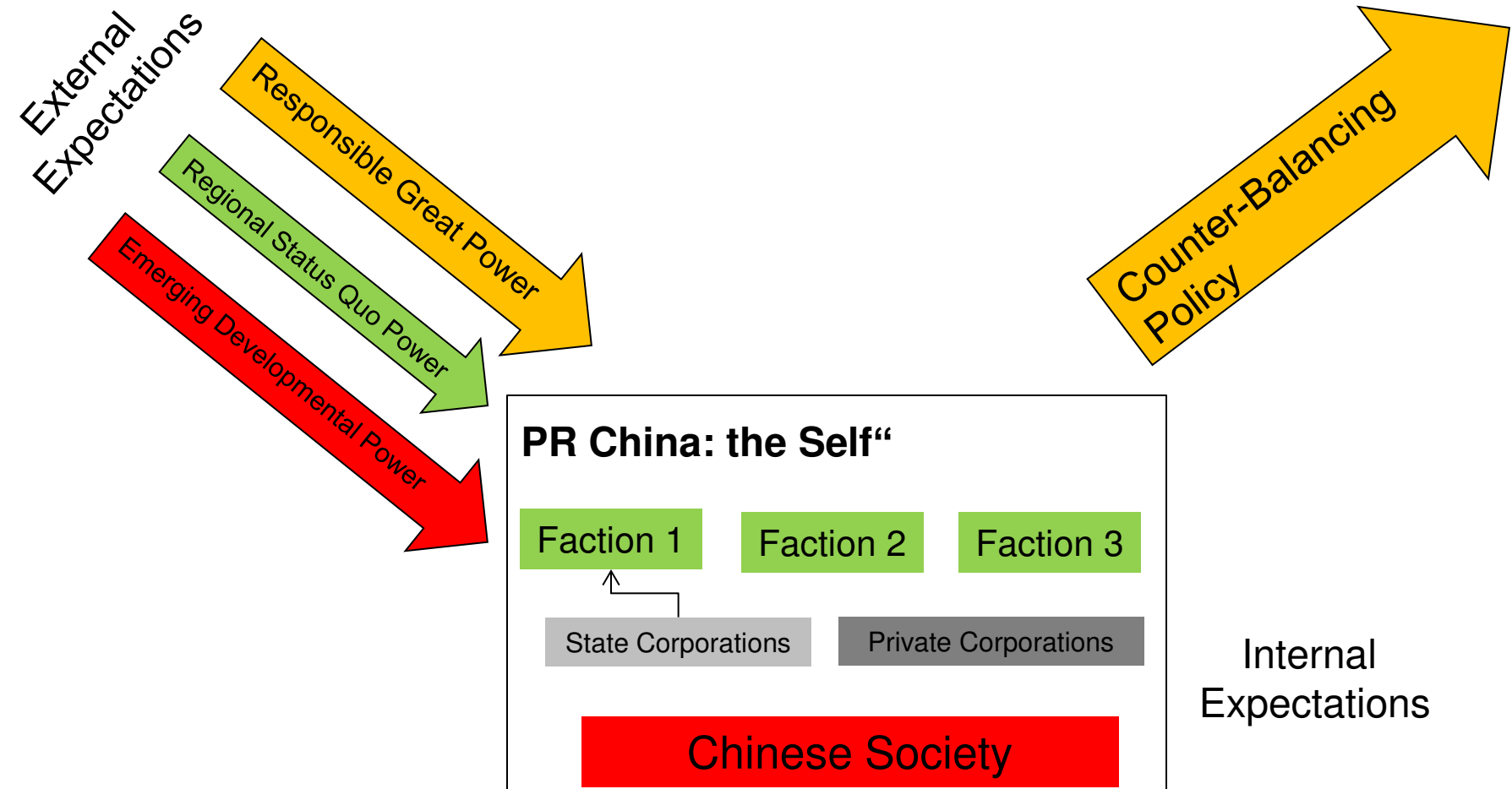
The historical „Self“: reference point of the „Self“ to establish „ontological security“



Die historischen Selbstidentifikationen der VR China



The institutional structure of the „Self“: Integrating Comparative Politics and Role theory

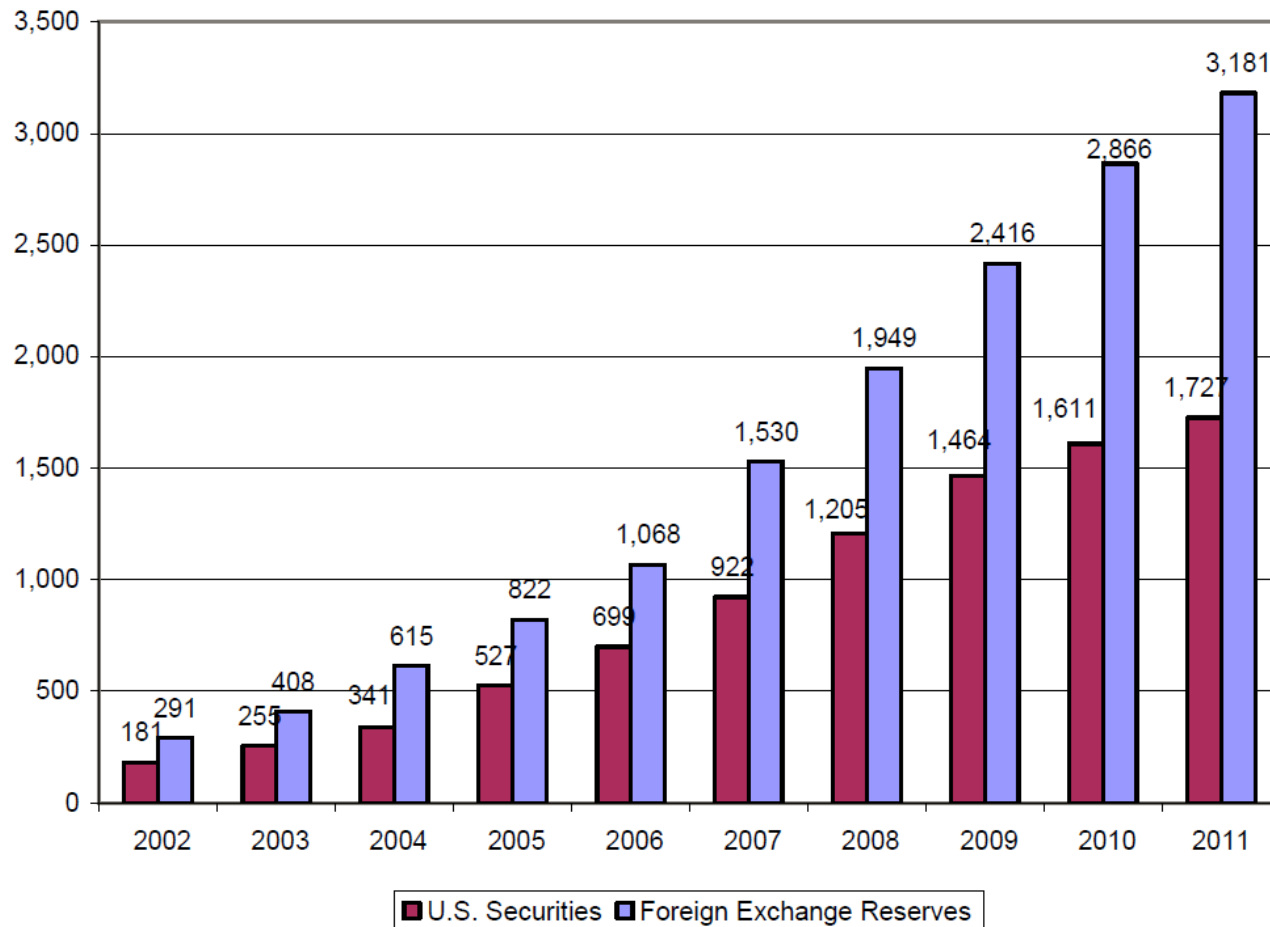


China's role in global economic governance

“Never before has a country as poor as China provided so much financing to a country as rich as the United States.” (Brad Setser and Arpana Pandey, CFR)

- It is estimated that U.S. interest rate payments to China on its holdings of U.S. Treasury securities were \$38.9 billion in FY2011, or about \$107 million per day
- China’s holdings of U.S. Treasury debt in FY2011 was roughly equal to
 - \$4,073 for every American and
 - \$961 for every Chinese.

China's Holdings of Foreign Exchange Reserves and Public and Private U.S. Securities: 2002-2011 (in US\$ Bio.)



Depending on Category of U.S. Security Holding, China's holds a substantial amount of US Public debt

Table 3. China's Year-End Holdings of U.S. Treasury Securities: 2003-2011 and Holdings as of September 2012

(\$ billions and as a percent of total foreign holdings)

	2003	2005	2007	2009	2010	2011	Sept 2012
China's Holdings (\$billions)	159.0	310.0	477.6	894.8	1,160.1	1,151.9	1,155.6
Holdings as a % of Total Foreign Holdings	10.4%	15.2%	20.3%	24.2%	26.1%	23.0%	21.8%

Source: Department of Treasury, Major Foreign Holders of Treasury Securities Holdings, November 16, 2012.

STATEMENT OF LAEL BRAINARD, UNDER SECRETARY FOR
INTERNATIONAL AFFAIRS, DEPARTMENT OF THE TREASURY, OCT. 20, 2011

- With overall demand in the advanced economies likely to remain weak, it is essential for emerging economic powers in the G–20, such as China, to move more rapidly to a pro-growth strategy that is led by their domestic consumption by allowing their exchange rates to adjust. At the G–20 meeting the surplus emerging market economies, including China, committed to do just that—accelerate the rebalancing of demand toward more domestic consumption and to move toward more market-determined exchange rates. We have made this our top priority with China, and we have seen progress with appreciation of over 10 percent real terms bilaterally since June 2010 and with exports to China growing twice as fast as to other markets. But the exchange rate remains substantially undervalued, and we need to see it appreciate faster.

STATEMENT OF C. FRED BERGSTEN, PH.D., DIRECTOR,
PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS

- I agree with a key point Uri Dadush made, particularly if the Europeans do not get their act together quickly, Plan B would have to center on the International Monetary Fund, because if the Europeans cannot put together an adequate safety net, only the IMF can provide it. His trillion dollars may actually need to be a little bigger. That money would have to be borrowed from the big surplus emerging markets—China, Korea, Brazil, India, and others including the oil exporters. They should provide the money. They need to pay back.

G-20: a perfect match for China's moderate institutional ambitions

- 90% of global GDP, 80% of world trade, and two-thirds of the world population.
- Asia is well represented by China, Japan, South Korea, India, and Indonesia.
- China's "peers", the other BRIC economies – Brazil and Russia – are also included, as are other rapidly growing developing countries such as Argentina, South Africa, and Turkey.
- 90% of global GDP, 80% of world trade, and two-thirds of the world population.

China's goals in the G-20 process

- PRC key priority is to use the G-20 to push for greater developing world representation in international financial institutions and to deflect direct criticism:
 1. G-20 did agree to accelerate the IMF reform programs by two years – from 2013 to 2011.
 2. China was able to place own officials in high-ranking positions in IMF/ World Bank Group.
 3. An early draft of the Toronto Summit communiqué included a section welcoming China's move towards greater exchange rate flexibility. This passage was summarily dropped at China's insistence

China's strategy in the G-20 process: Part I

- **The best defense is sometimes a good offense**
 - in the run-up to the G-20 meeting in Toronto, the meeting was widely anticipated to be a showdown on the level of China's currency, the RMB. Days before the G-20 meeting, China announced that it would be introducing greater flexibility into its exchange rate valuation and thus deflected the topic.
 - in the run-up to the 2009 London Summit, China's large current account surplus was expected to be a major agenda item. Subsequently, China's Central Bank Governor Zhou Xiaochuan made a high-profile public call for the replacement of the U.S. dollar as the world's reserve currency and changed the agenda in a stroke.

China's strategy in the G-20 process: Part II

- **Do not count too much on the Chinese locomotive**
 - During the Toronto G-20 meeting there was a commitment of developed countries to turn their focus from stimulus measures to tackling the massive budget deficits that were expanded during the response to the crisis.
 - If the developed world was moving towards consolidation and away from consumption, the clear presumption upon which all of this was predicated was that China will become an even more important driver of global growth and consumption.
 - Chinese officials have been crystal-clear in telling their colleagues not to rely too heavily on China, insisting that the PRC is still a developing country and cannot be expected to “bail out” its rich G-20 partners.

Conclusion

1. „Roles“ are invoked by many IR scholars but very few understand the „term as an analytical tool“.
2. Role theoretical analysis is still in its infancy in all defining elements.
3. Internationally, there is fast growing group or role theoreticians and some of them will focus on China's role.
4. China's role in the world – if understood scientifically – will not be determined by China alone, because other states will have to take the respective counter-roles. If China aspires to be leader, there need to be followers.
5. At this time, there are only a few indications that China's will by anything else than moderately reform minded status quo in the current US-led international economic order.

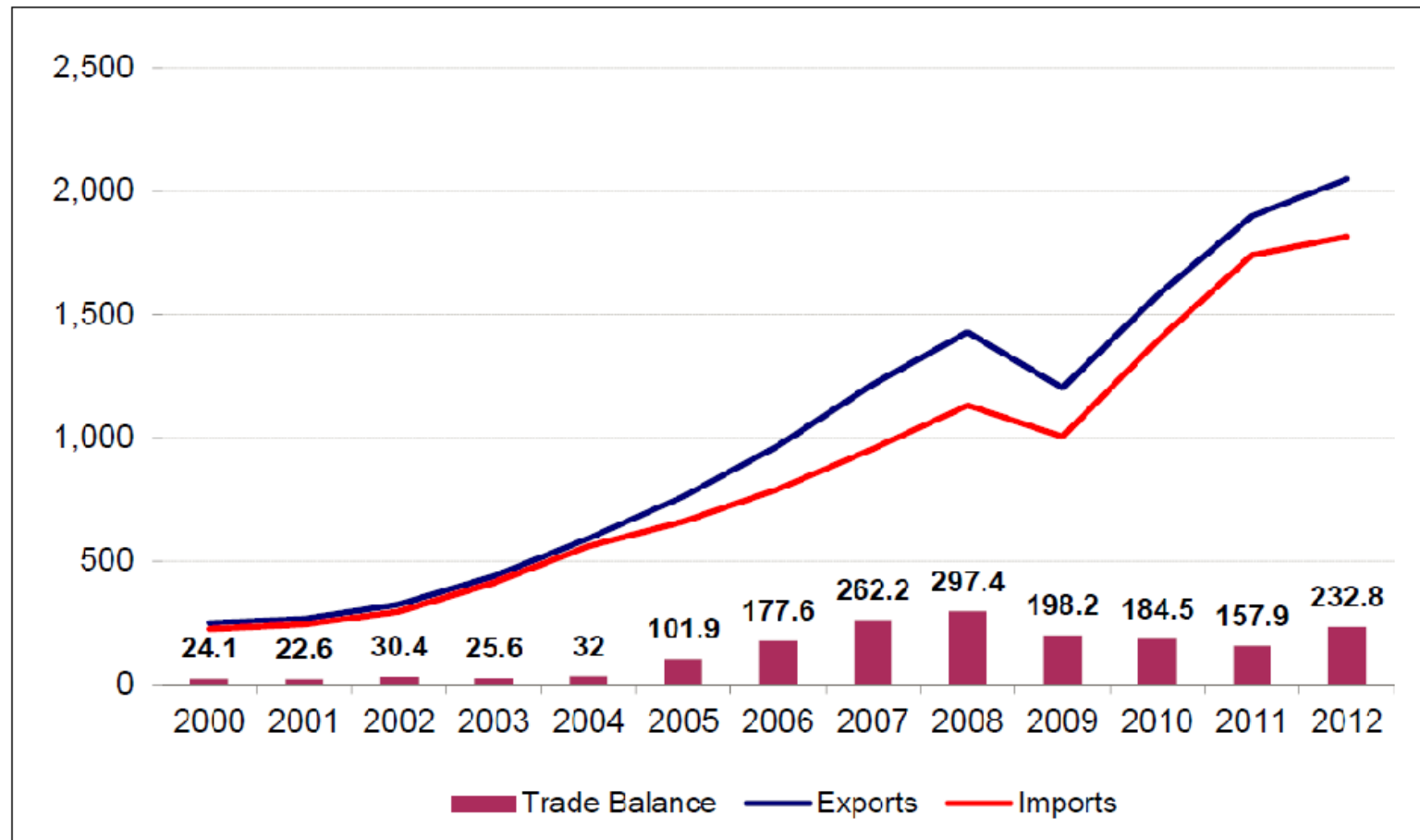
<http://www.uni-hd.de/harnisch>

China's Major Trading Partners in 2012

Country	Total Trade	Chinese Exports	Chinese Imports	China's Trade Balance
European Union	546.5	334.0	212.5	121.5
United States	479.6	351.9	127.8	224.1
ASEAN	399.6	203.9	195.7	8.2
Japan	329.2	151.5	177.7	-26.2
Hong Kong	341.6	323.7	18.0	305.7
South Korea	254.2	87.6	166.6	-79.0
Taiwan	169.0	36.8	132.2	-95.4
Total Chinese Trade	3,868.4	2,050.1	1,817.3	232.8

Source: Global Trade Atlas and World Trade Atlas.

China's Merchandise Trade 2002-2012



Source: Economist Intelligence Unit.

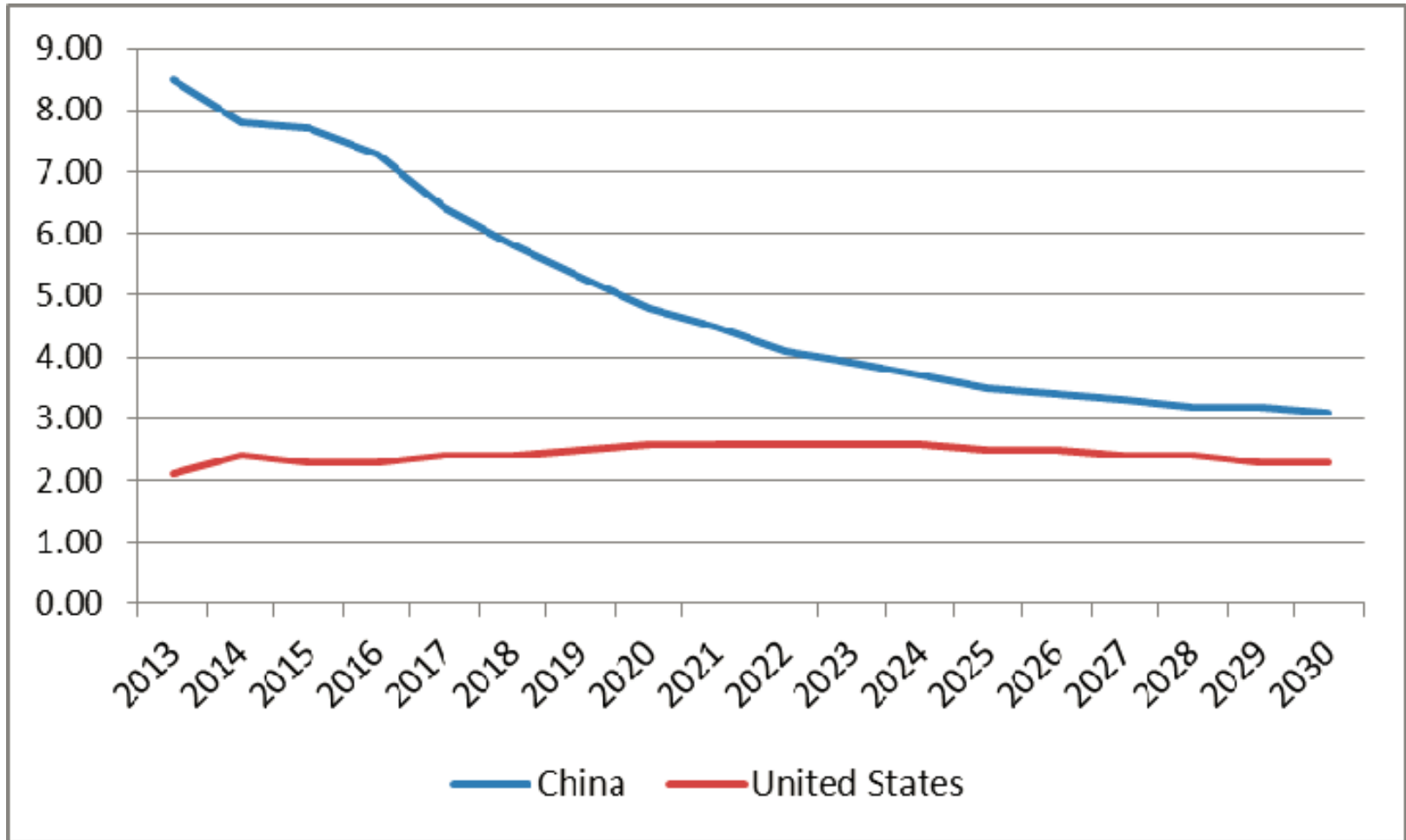


Table 1.2. Rough Comparative Estimates of the Population of China, Europe, India, Japan and World, 1–2003 AD
(million)

	1	1000	1300	1500	1700	1820	2003
China	60	59	100	103	138	381	1 288
Europe ^a	30	32	52	71	100	170	516
India ^b	75	75	88	110	165	209	1 344
Japan	3	7.5	10.5	15.4	27	31	127
World	226	267	372	438	603	1 042	6 279

a) excluding Turkey and former USSR; b) India + Bangladesh + Pakistan.

Source: See Maddison website: www.ggdc.net/Maddison

<http://dx.doi.org/10.1787/086071252700>

Table 2.1. Comparative Levels of Economic Performance, China and Other Major Parts of the World Economy, 1700–2003

	China	Japan	Europe	United States	USSR	India	World
GDP (billion 1990 "international" dollars)							
1700	82.8	15.4	92.6	0.5	16.2	90.8	371.4
1820	228.6	20.7	184.8	12.5	37.7	111.4	694.5
1952	305.9	202.0	1 730.7	1 625.2	545.8	234.1	5 912.8
1978	935.1	1 446.2	5 268.2	4 089.5	1 715.2	625.7	18 969.0
2003	6 188.0	2 699.3	8 643.8	8 430.8	1 552.2	2 267.1	40 913.4
Population (million)							
1700	138	27	100.3	1	26.6	165	603.2
1820	381	31	169.5	10	54.8	209	1 041.7
1952	569	86.5	398.6	157.6	185.9	372	2 616.0
1978	956	114.9	480.1	222.6	261.5	648	4,279.7
2003	1 288.4	127.2	516.0	290.3	287.6	1 050	6 278.6
GDP per capita (1990 "international" dollars)							
1700	600	570	923	527	610	550	615
1820	600	669	1 090	1 257	688	533	667
1952	538	2 336	4 342	10 316	2 937	629	2 260
1978	978	12 585	10 972	18 373	6 559	966	4 432
2003	4 803	21 218	16 750	29 037	5 397	2 160	6 516

Source: Maddison (2001 and 2003) updated, see www.ggdcd.net/Maddison. Europe includes 29 west and 10 east European countries (Turkey is not included). The figures for India exclude Bangladesh and Pakistan from 1952. The figures for the United States include the indigenous population.

<http://dx.doi.org/10.1787/086121023387>

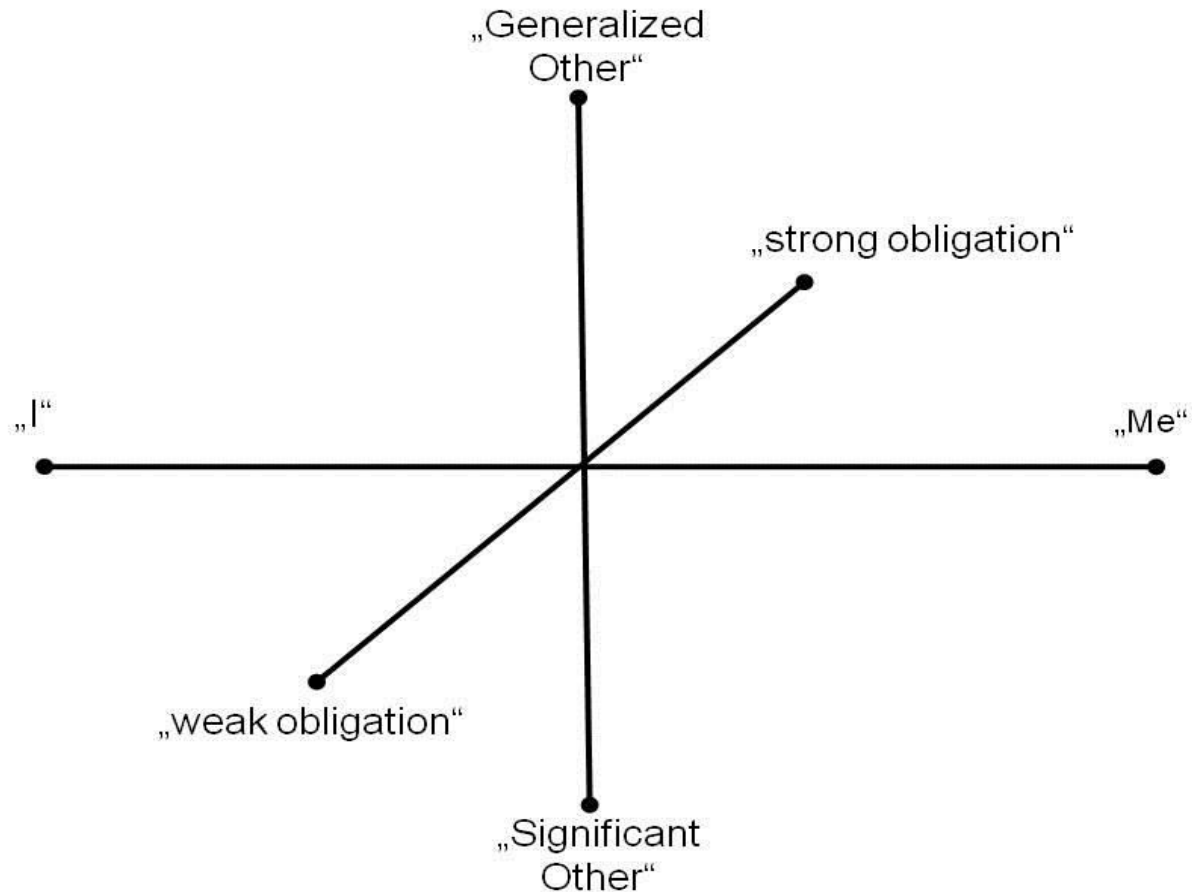
International Leadership: definition and explanation

- International leadership may be defined as a social role consisting of expectations of a group of states towards one or more group members to enhance the group's goals by means at the leaders disposal and compliance by following states. This regularly includes the partial transfer of national policy competences and power resources to the group leader (Harnisch 2013).

Leadership thus requires both hard and soft power, that is leadership through representing the interests of the group (input legitimacy of leadership) and effectively achieving the goals of the group (output legitimacy).

To pursue leadership functions, the role holder needs social capital among which trust is the most important one.

Dimensions of role change and learning



Post World War II Role taking process by PR China

The „Other“	United Nations Primary „Organized Other“	USA / Soviet Union	USA / Soviet Union	ASEAN USA / EU / Japan
Post WW II Period	1971-1978	1979-1982	1983-1989	1989-1997
The Historical „Self“	??	??	??	China as a „Self-made“ nation

Post World War II Role taking process by PR China

The „Other“	ASEAN / UN / Arab League / African Union USA / EU	ASEAN / USA / EU		
Post WW II Period	1998-2008	2009-		
The Historical „Self“	China as a Self-Made Nation	China as Victim and China As Middle Kingdom		