

When Issues Manifest? Globalization Backlash, Issue Heterogeneity, and the Liberal International Order

George Yean*

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Abstract When are issues of the liberal international order (LIO) consequential? The LIO faces mounting issues throughout decades of globalization therein. I address this timely question focusing on an unsettling, but understudied issue – global imbalances – which nonetheless shares characteristics with many others. Rooted in the U.S.-led order yet involving China, global imbalances are linked to development performance and widespread concerns. I develop an issue-based theory to predict constituent state’s (dis)engagement behavior – vital for a contested order. Dissatisfactory issues do not simply generate distributive political gains favoring rising power; rather, the mechanism depends on the endogeneity of outside option to the issue substance. By differentiating finance and trade dimensions, states’ embracing attitudes become moderated facing bilateral imbalance *vis-à-vis* China’s financial appeal. Moreover, issue type matters absent competitive outside options: “helpless” issues – severe, persistent, and systemic ones individual states can’t resolve alone – particularly trigger disengagement. I test the theory employing varied identification strategies, textual analysis, and qualitative cases, with mechanism evidence through UNGA voting and support for Russia’s war. It offers new insight into globalization backlash, great power politics, and the LIO’s future.

*George Yean is a PhD candidate at the Department of Government, Harvard University, gyea@fas.harvard.edu. I thank Pol Antràs, Leonardo Baccini, Stephen Chaudoin, Christina Davis, Jeffery Frieden, Jeffery Friedman, Mariya Grinberg, Andrew Kao, Sung Eun Kim, Iain Johnston, Christoph Mikulaschek, Krzysztof Pelc, Jeremy Spater, and participants at the Harvard International Relations Workshop for valuable comments.

1 Introduction

China, with a trade surplus exceeding \$1 trillion today, faced a different reality in the 1980s: mounting trade deficits. Chen Yun, then Chinese economic czar, abhorred the ballooning imbalances; the nation had to cut back scarce investments to trim the deficits that threatened balance-of-payment sustainability (Feeney 1989; Zweig 2002). Decades later, with a nearly \$1 trillion trade deficit, the U.S. is waging a global trade war while vying with China shaping the world order. Decades of surpluses have transformed China from a prudent spender to a country with trillions of reserves, nearly half from trading with the U.S.¹

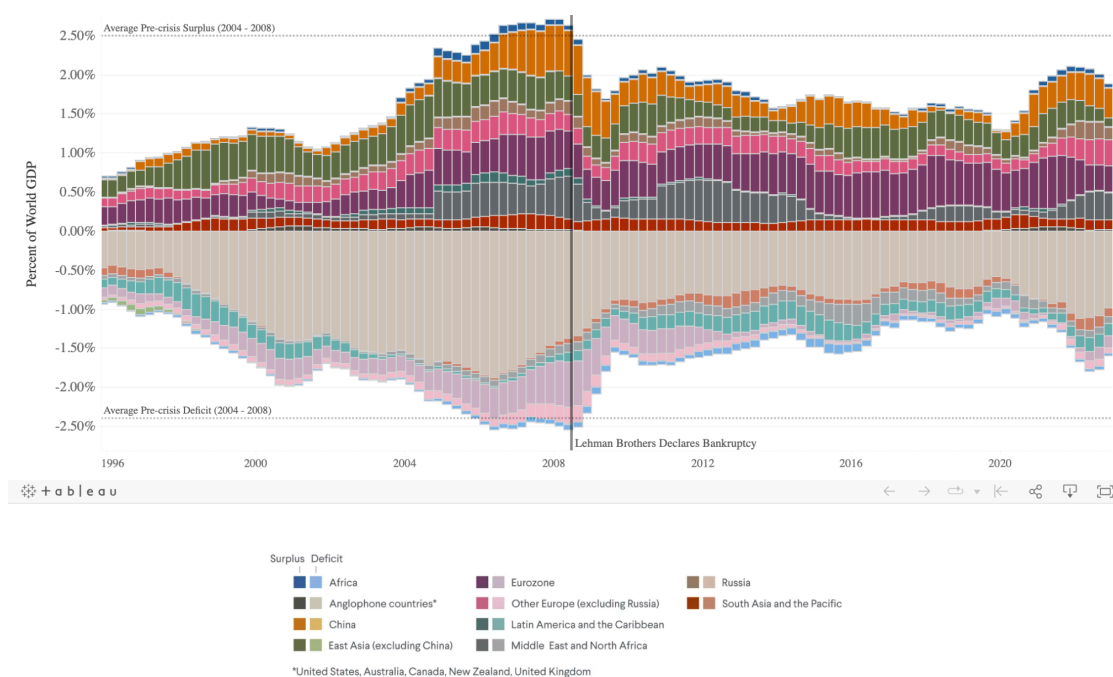


Figure 1: Global Imbalances (Current Account Balance. Graph: Council on Foreign Affairs. GY: will redraw).

The problematic external imbalances, or more broadly, global imbalances, where half of the world experiences almost persistent deficits (Figure 1, Chinn and Ito 2022; Blanchard and Milesi-Ferretti 2009; Obstfeld and Rogoff 2009), suggests its significance as a salient issue inside the LIO in world politics,² but draws surprisingly little attention from political scientists. Moreover, the LIO, the global order that arguably brings peace and prosperity after the second war (Ikenberry

¹China also maintains surpluses with over 90% of all countries (see Figure A.1)

²External imbalance refers to current account and trade imbalances. Although bilateral imbalance isn't often a problem, *persistent, aggregate* external deficits imply structural threats to economic development and stability (Blanchard and Milesi-Ferretti 2009; Obstfeld and Rogoff 2009).

2011; Lake et al. 2021), faces more issues, intertwined with decades of globalization the LIO shaped (Broz et al. 2020; Rodrik 2019; Walter 2021), on which Lake et al. (2021) remark “this time might be different.”³ While Trump’s return suggests the persistence of anti-globalist populism, the key lies in source issues. Internally, the order has been plagued by economic, social, governmental, security, and ideational issues, including Trump’s disregard for LIO’s norms. Externally, the order is increasingly challenged by “semi-insiders” and autocratic states which reject its core normative elements (Ekiert and Dasanaike 2024). Differing widely though, many of these issues also share similarities in theoretical and analytical dimensions, such as stubbornness, severity, attributability to the LIO, and addressability, providing a window for comparative analysis.

When and how do LIO’s varied issues matter for the order’s future, especially when the hegemon recklessly disregards its norms and many of its institutions? Why does rising power China (Doshi 2021; Lake et al. 2021), on the other hand, seem less attractive than its hard power suggests?⁴ Issues of an institution can result in diminished legitimacy, dysfunctional governance, and crippled performance (March and Olsen 1984; North 1990; Pierson 2000). Yet, an international order is vastly different from domestic or usual international organizations (IO) in scope, organizational structure, and outside options.

I develop an issue-based theory in the context of global imbalances yet through a comparative lens. Global imbalances are an ideal issue rich in features: significant in itself, raising complaints, connecting to outside options, spanning various domains, and sharing analytical similarities with many other issues – therefore allowing more generalized arguments. I first show that global imbalances are correlated with long-term development performance disparity connected to widespread grievances, which should raise policy attention. I then focus on constituent states’ disengagement patterns as the main dependent variable, as it’s vital for a contested order (Ikenberry 2011; Keohane 1984) and an IO’s influence and legitimacy (Clark 2022; Gray 2018). Building on the literature of IO, rational choice institutionalism, and power transition, I argue that global imbalances affect the order yet in a more complex way than power transition suggests. Dissatisfaction by issues lead to disengagement, manifesting from shunning hegemon (e.g., Japan’s skipping the NATO summit) to supporting rising power. As global imbalances are shaped by the LIO’s rules, dissatisfied deficit states are more likely to blame the LIO, lending support to China, the challenger. However, the ef-

³Though a contested concept, I follow Lake et al. (2021) in defining the LIO as the West-led international order with liberal characteristics and comprised of several sub-orders. One sub-order is the liberal economic order directed by U.S.-led institutions, such as the World Bank, IMF, and WTO, which largely shaped economic globalization.

⁴For example, China’s manufacturing output exceeds that of the G7 combined.

fect differs in issue substance. Global imbalances’ parallel connection to China’s controversial trade practices obscures the attitudinal shift *vis-à-vis* its financial appeal. Moreover, by cross-examining a series of LIO’s issues, I distinguish issue types by conceptualizing what can be called “helpless” issues – critical, persistent and systemic ones individual states are unlikely to resolve alone – arguing that they particularly trigger disengagement. This is especially the case when China’s order is not fully on par, meaning limited outside options. I test the theory employing varied identification strategies, textual analysis of news covering these issues, and a qualitative case of a G7 country – Italy. I further test the main mechanism using cases such as UNGA voting and supporting Russia’s war.

This paper makes several contributions. First, my findings speak to an expanding scholarship on globalization backlash. Yet, unlike the literature which primarily focuses on domestic politics (Autor et al. 2020; Chilton et al. 2017; Walter 2021), I push the contention of the order – issues – to the analytical forefront in inter-state politics, particularly the understudied, but increasingly unsettling global imbalances. Studying how sources of dissatisfaction manifest can predict the ensuing behavior. For example, while Trump’s concerns over imbalances even lead to U.S. disengagement from several LIO institutions (e.g., the WTO), his tariffs present a concerning issue for other countries, whose reactions also depend on outside option and issue type.

Second, the paper unveils issues that are driving contestation about the LIO. Despite confirming that problematic issues shift state support as classic power transition theory describes, my theory disentangles the mechanism, depicting a more complicated contemporary picture than often seen in history. Global imbalances as a new phenomenon, specifically, expose the distributive dynamics inside the current order – rising power can rise benefiting from the old order at the cost of hegemon and gaining support by exploiting the issues. Yet, the optimism may be, challenger’s behavior (e.g., mercantilism) can undercut the appeal of itself. Particularly because outside option is troublesome, exit may not be sufficiently credible (Lipsy 2015), which may encourage Trump’s reckless foreign policies.

Lastly, I add to the blooming literature connecting economics and security, especially on how globalization shapes cooperation and conflict. While existing studies have addressed the relationship between trade and politics (Flores-Macías and Kreps 2013; Kastner 2016), persistent trade imbalances appear to have additional, sometimes overriding implications for international politics. Contra the conventional views in both economics and political science – the oft-downplayed imbalances can

become all the more important in an age of geopolitics concerning relative gains.

2 Global Imbalances: an Issue of the LIO

“The public tends to see trade surpluses or deficits as determining winners and losers; the general equilibrium trade models that underlay the 1990s’ consensus gave no role to trade imbalances at al. ... trade imbalance can cause serious problems ...”

– Paul Krugman (2019), “Globalization: What Did We Miss?”

Origins and Characteristics

Global Imbalances are defined as the long-run cross-country differences in current account balances (Blanchard and Milesi-Ferretti 2009; Chinn and Ito 2022), primarily constituted by trade balances (Barattieri 2014).⁵ Global Imbalances saw early signs in the 1970s (Chinn and Ito 2022) when Nixon turned the fixed exchange rate regime into a floating one creating room for currency-related imbalance (Dooley et al. 2003), and were essentially facilitated by global financial and trade integration (see below for further explanations). That said, global imbalances are the product of the post-1970 globalization or the economic rules of the LIO. Despite the nation-level “win-win” prediction in conventional trade models, many of which assume balanced trade (Bernard et al. 2018; Ohlin 1933), global imbalances indicate structural issues (Obstfeld and Rogoff 2009) and are regarded as “probably the most complex macroeconomic issue” (Blanchard and Milesi-Ferretti 2009) that “dominate policy debate” (Chinn and Ito 2022).

The characteristics of global imbalances can be summarized as non-randomness, persistence, and high magnitude. *Non-randomness* refers to the fact that there is a relatively fixed divide between specific surplus and deficit countries (Figure 1).⁶ *Persistence* implies stubborn imbalances temporally. In terms of *magnitude*, half of the countries, mostly in the Global South, have average external deficits exceeding 5% of GDP, with some exceeding 15% (Figure 2).

⁵Current account includes trade balance, net foreign income, and net transfer payments.

⁶Between 2000 and 2017, 95 of 153 countries (as reported by the World Bank) recorded average trade deficits.

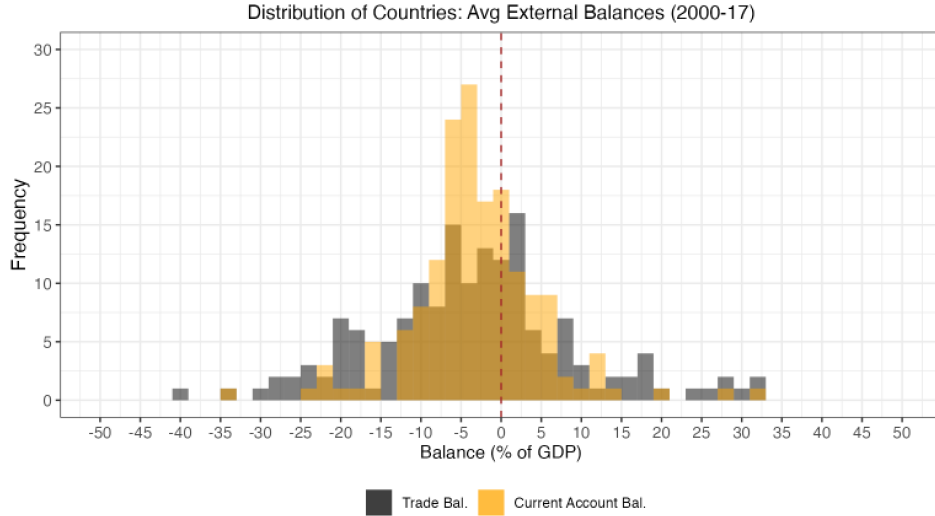


Figure 2: Distribution of Mean Global Imbalances (2000-17, Data Source: the IMF). *Note:* the brown area is the overlap of both balances.

Global imbalances' connection to the LIO is best understood through its rather complicated causes, roughly divided into “financial explanations” and “trade explanations” (Barattieri 2014). Financial causes include over-consumption (often through foreign borrowing) (Obstfeld and Rogoff 2009). For advanced economies, “safe assets” attracting global capital inflate factor prices, exchange rates, and imports (Caballero et al. 2008; Mendoza et al. 2009) – echoing the “saving glut” hypothesis (Bernanke 2011). Trade causes include a weakened industry/export sector, asymmetric trade costs (Cuñat and Zymek 2022), or mercantilist policies by trading partners (Dooley et al. 2003). Epifani and Gancia (2017) show that an undervalued exchange rate allows a country to run surpluses and agglomerate global production. Note that many of the causes are facilitated or exacerbated by globalization.

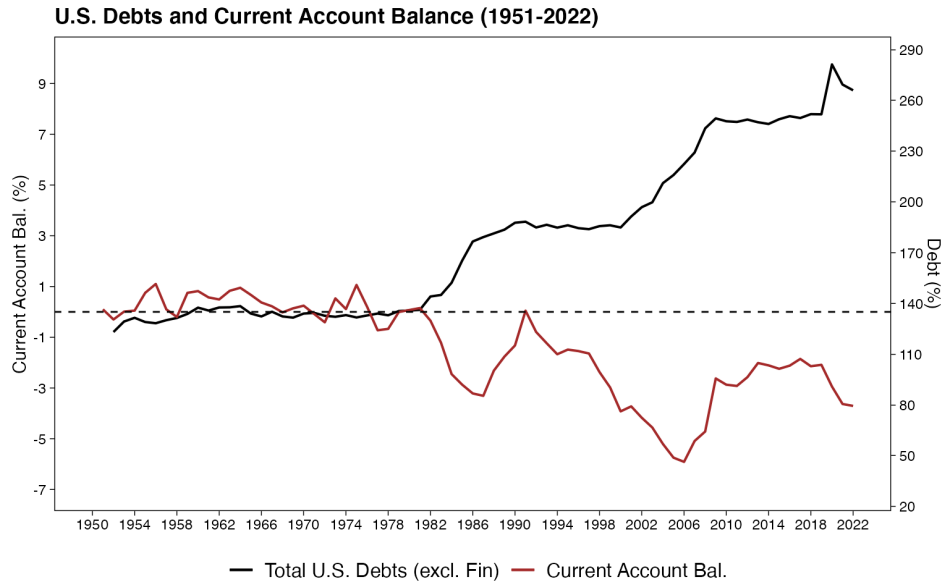


Figure 3: U.S. Total Debt and Current Account Balance (Source: Federal Reserve). *Note:* The U.S. case matches well the income-expenditure differential logic and is more of saving drought instead of investment booms (Chinn and Ito 2022).

Socioeconomic Impact and Performance Disparity

Global imbalances are linked to varied impacts. First, as income-expenditure differential, persistent external deficits contribute to debt (Frieden and Walter (2017), see Figure 3 for the U.S. case), which can be burdensome and are prone to economic instability (Obstfeld and Rogoff 2009; Bernanke 2011).⁷ High debt levels constrain domestic investments (Graham et al. 2014) and can raise solvency concerns.⁸ Many debt-replete developing nations rely on capital inflows (e.g., loans) to finance deficits. Conversely, surplus countries accumulate foreign reserves contributing to spending power – many become global creditors. Second, imbalances are linked to “demand distribution” (Chinn and Ito 2022), where foreign demand is “won,” for instance, through “beggar-thy-neighbor.”⁹ Moreover, trade models show that although imports realize welfare gains, the majority of gains in productivity, income, and innovation comes from exports (Bernard et al. 2018; Ohlin 1933).

Thus unsurprisingly surplus countries are correlated with a strong industrial sector (Epifani and Gancia 2017), which is positively correlated with economy of scale, productivity growth, R&D concentration, and export capacity (Buera and Kaboski 2012; Greenstone et al. 2010). Prasad (2007)

⁷Debt increases even for a relatively benign case when temporary deficits reflect economic booms; Global imbalances significantly contributed to the 2008 Financial Crisis (Obstfeld and Rogoff 2009).

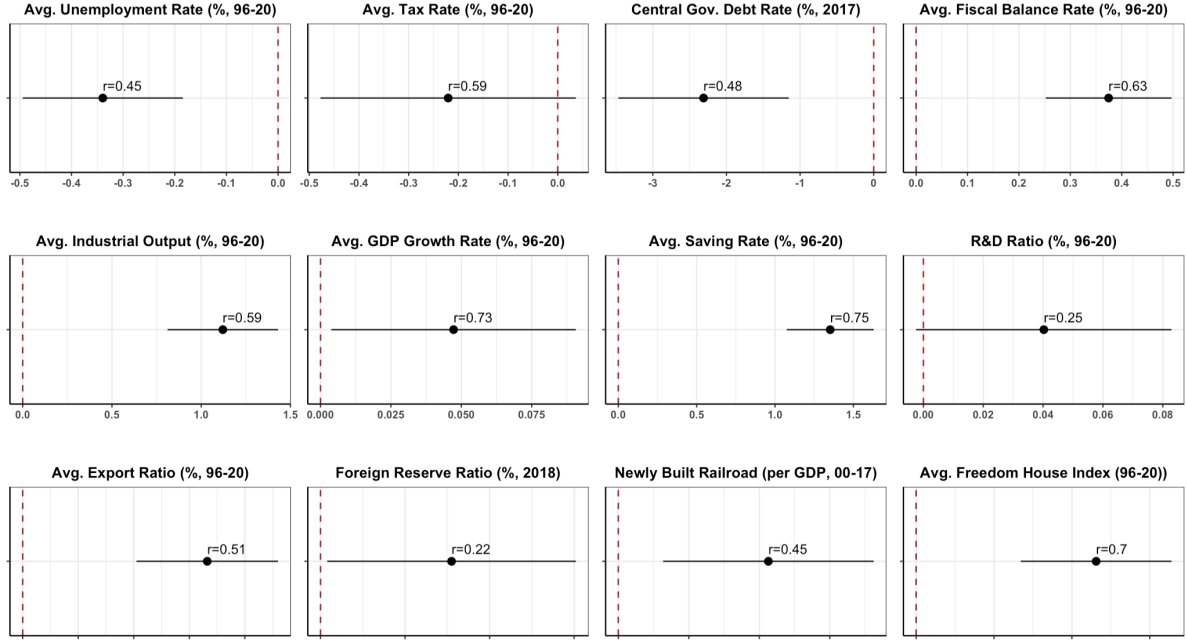
⁸Even the “exorbitant privilege” of the U.S. that allows cheap financing distorts the economy by inflating prices and crowding out real economy (Blanchard and Milesi-Ferretti 2009; Oatley 2015).

⁹E.g., China represents 12% in global consumption share but 32% in manufacturing output (2020, World Bank) and foreign demand promotes domestic economy (Jeanne 2021).

shows that long-term surplus positively correlates with growth. The three surplus-concentrated areas – core Europe, East Asia, and Gulf region – often exhibit envied economic development, fiscal capacity, and infrastructure. Even within the Eurozone, deficit countries such as Greece, Portugal and Spain, perform poorly compared to their surplus counterparts such as Germany, the Netherlands and Switzerland. 17 out of 20 countries with the highest R&D expenditure-to-GDP ratios have recorded average external surpluses for decades.¹⁰ Figure 4 shows the correlations between three-decade (1996-2020) averages of current account balances and major development indicators.¹¹ Noteworthy is that surplus country that has better development performance and spends more, counterintuitively has lower tax rate and government debt.¹²

Correlations Between Current Account Balance and Major Development Indicators (1996-2020)

Source: author's calculations based on World Bank data



Notes: Bars at 95% confidence intervals; Top 120 countries ranked by 2017 GDP; Controlling for 1996 GDPpc for within-income level comparison, except for R&D Rate, which is only bivariate correlated.

Figure 4. Correlations between Current Account Balances and Development Indicators.

The above relationship implies the potential connection between national economy and global imbalances beyond conventionally acknowledged.¹³ As we will see, the relationship is twisted with

¹⁰See <https://ourworldindata.org/grapher/research-spending-gdp>. (accessed on September 10, 2024.)

¹¹Among top 120 countries sorted by GDP (2020), conditional on per capita GDP of the starting year 1996. The WDI data I use is missing partially (mostly less than 10%, with some 20-40%). The data are more complete for countries with higher GDP and GDP per capita, to which the correlations apply more. A version using Multiple Imputation for missing data is presented in the Appendix.

¹²The magnitude is significant – for example, a ten-point increase (commonly seen) in current account balance is associated with 20 percentage points lower in central government debt rate.

¹³For example, Roubini (2001) claims that whether deficit matters depends on the debt-to-GDP ratio.

states' perceptions, playing a key role in my theory.

3 How Issues of the LIO Manifest: Theory

In this section, I build a theory that connects states' perceptions to behavioral change when facing LIO's issues. An international order can be impacted in multiple ways: violating rules and norms, waging conflicts, subverting institutions, or abandoning support. Constituent support is fundamental for the LIO which relies on satisfied states to preserve the system (Ikenberry 2011), hence my theoretical and empirical focus. As a rapidly rising power, China actively leverages globalization gains (e.g., foreign reserves through surplus (Liu 2023)) to formulate challenges through its own set of institutions, often targeting LIO's issues (Broz et al. 2020; Doshi 2021; Lake et al. 2021). This provides an empirical opportunity to observe how issues may impact state behavior.

Power transition theory argues that rapid power balance shift creates disequilibrium for challengers (Organski and Kugler 1980). Although major global wars required for transition may be unlikely today, non-military channels remain open. As such, it's more about "voters," or constituent states. Dissatisfied states can be pushed to the challenger (Broz et al. 2020; Ikenberry 2011).¹⁴ Yet, this parsimonious theory at least misses two elements: how the challenger and issues themselves matter. I combine rational choice institutionalism, power transition, and IO theories to formulate possible predictions and mechanisms.

3.1 Stage One: Grievance Buildup

One common reaction to LIO's issues is grievance (Broz et al. 2020; Lake et al. 2021). Global imbalances generate *lasting, cumulative* grievances, which encapsulate long-term negative perceptions about deficits among individuals and societal groups. Perception plays an key role in determining the political impact of economic phenomenon (Mansfield and Mutz 2014). Leaders may not worry due to the perception that citizens enjoy consumption exceeding production. Yet, the aforementioned correlations may also lead one to believe that deficits indicate state-level losers. Regardless, I contend that the public and especially the better informed leaders know the issue fairly adequately, and generate grievances constructed by multiple sources below.

Inherent Aversion – One source of grievances is rooted in the inherent aversion to deficit itself.

¹⁴Broadly speaking, issues play an important role in international relations such as formulating institutions, issue-linkage bargaining, or issue-induced conflicts.

As external imbalance reflects net overseas income or income-expenditure differential, the public often perceives it analogously from the household budget experience (Barnes and Hicks 2020). The word “deficit” conveys negative, abnormal connotations similar to fiscal deficit, especially among conservatives, and anomaly psychologically puts more weight in human minds (Bhatia 2013; Kahneman 2013). Particularly when there are not many measures that aggregate foreign economic interactions, external imbalance can stand out.

Related Concerns – Grievances can also be constructed by the concerns about related issues. The correlations between imbalances and socioeconomic indicators suggest that long-term troubles often co-appear, which strengthen negative perception. Imbalance may matter more when facing rising debt and import competition (Cutrone and Fordham 2010). Historically, mercantilists of the 17/18th centuries were as concerned about the impacts on national economy and power (Irwin 1998). John Keynes, beyond mercantilism, proposed the International Clearing Union to address imbalances’ destabilizing effects (Crowther 1948). Milton Friedman, arguably a less concerned monetarist, warned against persistent deficits as poor savings may lurk (Friedman and Friedman 1980). Even today, media coverage, think tank analysis, or government reports are generally more positive on surplus. As *The Australian* (2014) reports, “... Australia’s main weakness was external debt, as a result of persistent current account deficits ...” Headlines such as “India’s Perennial Problem: a Current Account Deficit” while few asking this for surplus implies biased public sentiment. International institutions such as the OECD, IMF, or EU have long viewed imbalances as threats to macroeconomic stability (Delpeuch et al. 2021). Within the EU, for instance, a current account deficit over 4% for a sufficient time triggers control procedures.¹⁵

Peer Contrast – Grievances may be also amplified by peer contrast. Not only do some notable figures, for example, blame surplus countries for hindering the development of others,¹⁶ the contrast is more pronounced facing socioeconomic troubles. Without understanding the causes, policymakers may believe or even politicize spurious correlations and blame “winners.” Like the public sentiment quoted above (Krugman 2019), the elite (especially conservative and nationalist) share similar perspectives. Trump and supporters characterize deficit with China as rendering the country “biggest loser.”¹⁷ Global imbalances linked to “demand competition” and aggregated to zero may engender a feeling of “zero-sum” and injustice (Marx 1867; Rawls 1971). Geopolitics also strengthens the

¹⁵“Fawltly Europe,” *The Economist*, November 2013.

¹⁶See Joseph Stiglitz, “Reform the euro or bin it,” *The Guardian*, 5-May-2010, and Ben Bernanke, “Germany’s trade surplus is a problem,” *Brookings Institution*, 3-April-2015.

¹⁷“How Trump Could Be Blocked at a Contested Republican Convention,” *New York Times*, 15-April-2016.

sense of relative gains. Table 1 shows some examples of states' concerns over bilateral imbalances, across both space and time.¹⁸

1988, nepal , china agrees to correct trade imbalance
1996, china, philippine leaders to discuss trade imbalance
1997, polish president wants to redress trade imbalance with china
1998, turkey _ deputy premier urges correction of trade imbalance with china
1998, canadian minister hopes for fall in trade deficit with china
1999, fiji calls for efforts to counteract trade imbalance with china
2001, czech deficit in trade with china excessive
2003, u.s. blaming china for trade imbalance
2005, spain's prime minister says lowering trade deficit with china is a top priority
2006, thailand suffers trade deficit with china nine months after the fta
2006, romania might balance trade deficit with china by widening exports range
2006, lithuania president to discuss in china bilateral trade imbalance
2006, egypt seeks lower tariffs, technology to cut china trade imbalance
2007, china promises to reduce trade imbalance with africa
2007, peru : with new china trade deficit numbers, brown says now not time for peru
2008, brazil voices concern about trade deficit with china - estado
2009, morocco seeks to plug trade deficit with china
2009, croatia seeks to reduce trade imbalance with china - president
2009, nigeria governor wants trade imbalance with china addressed
2009, zimbabwe ; massive trade deficits with china
2009, vietnam _china_ measures to reduce trade deficit with china
2010, south african president zuma in china to narrow trade deficit
2011, india seeks to narrow trade deficit with china
2011, kenya ;nation seeks more investors from china to bridge trade imbalance
2012, france lambasts wto over eurozone trade deficit with china
2013, malaysia seeks to address china trade imbalance
2013, ukraine wants to reduce deficit of foreign trade with china - azarov
2014, china, tanzania should address trade imbalance
2014, costa rica's sol_s to address trade imbalance with china at celac meeting
2015, bangladesh , action plan on cards to reduce trade deficit with china
2015, growing china demand helps soften new zealand trade deficit
2016, indonesia seeking to reduce deficit in trade with china
2016, uganda : retrenchment will balance our trade deficit with china
2017, belarus lukashenko concerned over belarus-china trade imbalance
2017, pakistan , china fta talks begin; trade imbalance in focus
2017, nigeria can do a lot to address trade imbalance with china
2018, mexico amlo will seek to reduce trade deficit with china
2019, china, rwanda jointly bridging the trade imbalance
2019, laadhari calls for countering trade volume imbalance between tunisia and china

*1980, china-japan relations;li qiang calls for correction of trade imbalance.

*1985, trade imbalance must be rectified, says china

*1988, china looks to cutting trade deficit with australia

*1993, imbalance worries china as taiwan trade soars

Table 1. *Examples of News Headlines on Concerns over Trade Imbalances (with China).* Data is collected from the LexisNexis archives.

Expectation Gap – Lastly, temporal contrast between expectation and outcome can strengthen grievances. Believing in “Washington Consensus,” numerous states embraced trade and financial openness during the 1980/90s (Quinn and Toyoda 2007). The rationale extends to encompass broad modernization efforts – socioeconomic development, political benefits, and national strength

¹⁸Notably, states' complaints may be suppressed by the common “deficit doesn’t matter” narrative; the latent concerns may be more than empirically observed.

(Krasner 1985). Yet, states had viewed external balances as the preconditions for liberalization (Simmons 2000; Quinn and Toyoda 2007), implying states' preferences. Thus, while expectations led states to both voluntarily and involuntarily accept LIO rules, unwanted outcomes produce dissatisfaction.¹⁹

In the Appendix, I develop an economic model illustrating how persistent external deficits may economically lead to nationwide dissatisfaction through public expenditure and wage channels. The consequential grievances (often disproportionately concentrated), if long enough, can fuel populism and affect incumbents' survival, which, combined with existing perceptions, particularly concern leaders.

3.2 Stage Two: Behavioral Change

How may the grievances lead to behavioral change regarding the LIO? Grievance implies persistent concerns and dissatisfaction. Grievances can alter individuals' behavior to lobby for protectionist policies, vote for populist candidates, or demand compensations (Autor et al. 2020; Kim 2017); grievances also trigger social movements (Tarrow 1998). The individual-level sentiment, when aggregated or elevated through varying institutional settings, can significantly shape state policies (Moravcsik 1997). More often than not, those who care more possess concentrated political power (e.g., concerned elites or industry associations) than silent, dispersed individuals (e.g., consumers), especially when concerns are legitimized, be it resentful or sociotropic. Tensions arise when leaders associate domestic problems with imbalances, or simply politicization (Walter 2021).

Empirical literature is abundant on how external imbalances lead to political tensions. The War of Jenkin's Ear (Young and Levy 2011) and the Opium War between Britain and others were partly due to trade imbalances.²⁰ More recently, troubling balances of payments can hinder the acceptance of economic openness (Simmons 2000) and lead to trade restrictions (Broz et al. 2016). Trade imbalances have been shown to predict domestic protectionism (Delpeuch et al. 2021), and higher deficits diminish public support for free trade (Spater 2024). Disaggregated, increased imports or purchases from foreign firms can result in more amiable policies of host countries (Cutrone and Fordham 2010; Johns and Wellhausen 2016).

Can leaders properly attribute the grievances to the LIO?²¹ Theory and historical experience

¹⁹E.g., in the 1980s, the IMF began pushing states to remove controls on short-term capital flows (Stiglitz 2004).

²⁰See National Archives: <https://www.nationalarchives.gov.uk/education/resources/hong-kong-and-the-opium-wars>.

²¹I do not necessarily distinguish between the LIO and its economic sub-order, since: 1) the LIO is arguably an

offer similar clues. Apart from imbalances’ LIO-linked causes, most states, before they significantly liberalized economies in the 1980/90s, didn’t have persistent imbalances, which hardly exist in a relatively autarkic economy. Moreover, liberalization stipulated by the LIO largely tied leaders’ hands unlike the Bretton Woods period (Stiglitz 2004; Quinn and Toyoda 2007) – thus they unlikely fully blame themselves on this. Since 1971, the balance-of-payment issue causing instability and debt problems had knowingly and constantly worried many governments, and became an impediment for deepening liberalization (Broz et al. 2016; Quinn and Toyoda 2007). The IMF even established specific funds “designed to stabilize balance-of-payments (Dreher 2002).” Thus, informed leaders can understandably attribute the issue to the external order.

For all these reasons, global imbalances should lead to states’ attitudinal and behavioral changes toward the LIO. Rational-choice institutionalism or functionalist IO theory argues that members’ behavior is shaped by the calculus of the institution’s rules and expected outcomes (Hall and Taylor 1996; Keohane 1984). States support an order (or an institution in general) due to satisfactory outcomes (Ikenberry 2011; Keohane 1984). It follows that grievances will lose states’ support. Moreover, the lost support should logically mean exiting the LIO, as staying equates to continuously observing rules (e.g., restrictions on currency, capital, trade, and industry interventions, as well as strict loan/aid conditionality) that perpetuate grievances. However, an order differs fundamentally from a usual institution: given limited outside options (Lipsky 2015), an exit here should be considered *broadly* – as no other order is yet on par, we should more reasonably expect exit intention or often leadership support shift than an actual exit, albeit similar logic. We should also expect higher bars – “non-significant” issues hardly justify shifted support – because few outside options exist.

The logic in point echos the “exit” concept in IO literature. IOs facilitate cooperation through mutual benefits and norms (Johnston 2001; Keohane 1984), and as cooperation discontinues, IOs dissolve through abandonment (Gray 2018). Although disgruntled members seek reform (Goddard 2018; Lipsky 2015; Morse and Keohane 2009), exit becomes an option if the status quo is unsatisfactory, as exemplified by the U.S. leaving the Trans-Pacific Partnership or Brexit, echoing Hirschman (1970)’s “exit, voice and loyalty” framework and the psychological and constructivist literature that concerns substantiated by (non)material gains portend deference/conflict patterns

all-encompassing and integral order (Lake et al. 2021), 2) many (especially the Global South) do not necessarily share its political and security interests (so that they may quit it all together), and 3) China’s emerging order is also all-encompassing.

(Dafoe et al. 2014).

One testable implication of exit intention or support shift is supporting an order competitor, which also accords with power transition theory and Broz et al. (2020)’s “leadership transition” where lasting financial instability *pushes* states to support China’s leadership. Due to the competing and oft-conflicting rules and norms of a less competitive Chinese order (Broz et al. 2020), states are unlikely to stay in both (e.g., hedging), and the shifting support implies losing support for the U.S. order. This effect undermines LIO’s legitimacy and stifles cooperation. However, as I further argue, two factors make the transition theory complex: 1) how outside option relates to the issue, and 2) the gravity of the issue itself.

Outside Option: Cure Cannot Be Worse than Disease

Continuing previous discussions, any viable outside option shouldn’t be involved in the issue. Global imbalances bear more complexity than others partly because of its relationship with outside option. Current account imbalance relates to income-expenditure differential a country needs to finance (thus more of a financial property), while trade imbalance measures trade. The nuance precisely sits between finance and trade.

Although China has emerged as an attractive source for loans and investments,²² China’s trade practices have been described as mercantilist, operating as “China Inc,” and even predatory and coercive (Cha 2023; Wu 2016). Behind the “China shock” worldwide is surplus with most trading partners (Figure 1). With the push towards “self-sufficiency,” its long-term input suppliers - South Korea and Japan - started running bilateral deficits. Interestingly, apart from the U.S. and EU, African countries, eager for investments, complained that they cannot rely on Chinese loans anymore, necessitating rebalancing trade to “service mountains of debt, much owed to Beijing.”²³ In other words, they turned to China for finance and became cautious once hit by rising imbalances.

This implies that states should react differently to current account and trade imbalances (finance vs. trade). Other than their theoretical difference, empirically, states do pay attention to both imbalances.²⁴ States may blame total imbalances on the LIO, but they are wary of China’s trade practices vs. financial aids, and if they run bilateral imbalances with China, their support shift are

²² “How China Became a Global Lender of Last Resort,” Time, 28-March-2023.

²³ “Insight: Africa’s dream of feeding China hits hard reality,” Reuters, 28-June-2022.

²⁴ Two imbalances often exhibit related, imbalanced patterns; however, their values can differ greatly with sometimes opposite signs for individual countries (see the Appendix). The empirical section has more discussions on treating them separately.

discounted. Noted is also the logic chain above, the mechanism is mainly a “push” story rather than pure “pull” by China’s financial appeals – that is – it relates to *both* the LIO and China (see Alternative Explanations for more discussions). The following four hypotheses differentiate the mechanisms in finance and trade:

H1.1: The higher the long-term total current account deficit a state runs, the more likely the state supports Chinese leadership.

Since deficit “losers” often complain about “winners,” bilateral imbalance can be a concern. Thus, I test the interaction effect:

H1.2: However, if the state runs a bilateral trade deficit with China, the effect in *H1.1* will be attenuated (the “ambivalent ” interaction effect).

Here, being “ambivalent” refers to states’ cautious stance towards a support shift if the alternative is perceived to contribute to the overall imbalance.

Since China is not a solution for trade imbalances compared to current account imbalances, one doesn’t expect total trade imbalances to bear the same effect as current account. This leads to slightly different hypotheses:

H2.1: The higher the long-term trade deficit state runs may not, or negatively, affect the likelihood of supporting Chinese leadership.

H2.2: Moreover, if the state runs a bilateral trade deficit with China, the effect in *H2.1* will be more negative.

H2.2 is an interaction term which implies that states are less likely support (or more likely oppose) Chinese leadership, should it run bilateral deficits compared to a balanced case.

Issue Heterogeneity: Not All Matter the Same

Recall that supporting competing orders differs from choosing between usual institutions, which raises the bars for the issue involved. Path dependency and sunk costs also indicate that the issue should not be an “easy” one for rational leaders, especially when the outside option – China – is not yet competitive. How issues matter shapes states’ intention – as Lipsky (2015) argues, the likelihood of exiting the Bretton Woods Institutions depends on the underlying characteristics of issue areas.

Similarly, I theorize why some issues rather than others may particularly trigger a state's shifted support.²⁵

The mechanism above suggests such an issue should be intolerable. Rationally speaking, a state may develop an exit intention or shifted support *if and only if* all four conditions are high: stubbornness, severity, attributability and unaddressability – my conceptualization of “*helpless issue*” through a comparative lens. A helpless issue has to be *persistent*. Temporary economic downturns are unlikely to cause lasting damage and may heal over time. Import shocks, for instance, can be mitigated with policy assistance. *Severity* refers to the degree of pain that an issue inflicts, either factually or perceptually; ideally, the pain should be widespread – otherwise, states won't feel grieved enough. For instance, U.S. anti-dumping discrimination is unlikely to inflict deep harms on a nation compared to a financial crisis. *Attributability* refers to the fact that while a state may suffer persistent and severe grievances, they must be largely attributable to the LIO – one would not leave an innocent order particularly given no better alternatives. The last condition is *unaddressability*: states will not exit if grievance can be addressed relatively easily. Economic inequality aggravated by globalization can be mitigated by domestic redistribution. All four being high are *necessary conditions* – if any is not sufficiently high, one may not expect to shift leadership support. Meanwhile, they are also arguably sufficient enough without extra conditions.

In essence, “helpless issues” are critical, persistent and systemic ones individual states are unlikely to resolve alone. Global imbalances belong to them: it persists for certain countries; it is associated with substantial socioeconomic impacts; it is highly attributable to the LIO; and it's beyond individual countries' capabilities to resolve. For evidence, South Africa's *Business Day* (2016) observes “...persistent current account deficit is regarded as one of the country's major vulnerabilities...” Kenya's *Business Daily* (2013) and *The New Zealand Herald* (2018) similarly highlights that “Kenya's large and persistent current account deficit... raises major concerns for sustained economic growth,” and “New Zealand economy's external weaknesses, in particular persistent current account deficits...”, while Pakistan's leading business magazine *Pakistan and Gulf Economist* (2022) more acutely claims “The key issues that our country is facing are... persistent current account deficit, huge trade imbalance... haunting our economy for long but unfortunately no solution.”

A comparable grievance is the recurrent financial crises in some nations. Broz et al. (2020) depict that financial crises produce severe political and economic consequences, persistently attack

²⁵This is not to say other issues may not matter. I focus on an potential order exit in a geopolitical age, compared to milder consequences such as criticism from states.

some nations, are attributable to the current order, and surpass national governments’ capabilities. For comparison, Table 2 lists ten potential issues that are often attributed to the LIO, spanning trade, finance, development, and governance. Each of the four conditions is assessed and rated high, moderate, or low (see the rationale in the Appendix). Among them, global imbalances and financial instability are high for all four conditions, while the remaining eight are not.

	Stubbornness	Severity	Attributability	Unaddressability
Global Imbalances	high	high	high	high
Financial Instability	high	high	high	high
Import Competition	moderate	moderate	high	high
Low FDI	moderate	low	moderate	moderate
Economic Inequality	high	moderate	moderate	moderate
Low Economic Growth	moderate	high	low	moderate
Deindustrialization	high	moderate	moderate	moderate
High Debt	high	moderate	moderate	moderate
High Unemployment	moderate	moderate	moderate	moderate
IMF Governance Deficit	high	low	high	high

Table 1: Summary of Issues and Their Characteristics

That said, helpless and non-helpless issues should matter differently regarding the shifted support. Testing various issues together offers several benefits: 1) It tests the theory by allowing global imbalances to stand out if only it remains significant and comparing magnitudes; 2) Other theoretically non-helplessness issues can serve as robustness tests and possible placebo tests to more confidently exclude spuriousness, as some listed issues may be correlated with imbalances. The following hypothesis tests the “helpless issue” theory:

H3: Of all ten LIO’s issues, only helpless issues such as global imbalances and financial instability should lead states to support Chinese leadership.

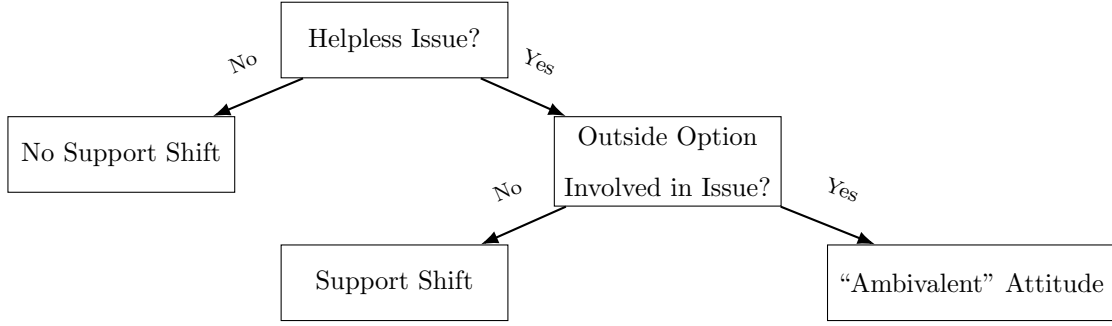


Figure 4: Illustration of the Mechanism.

In sum, the whole process with regard to supporting a competing order is depicted in Figure 6, which shows a more complicated mechanism than the traditional power transition theory: not every issue of the LIO may trigger exit intention. When the outside option is involved in the issue, states’ attitudes can become ambivalent.

4 Empirical Analysis

I combine multiple methods to test the theories. I first exploit observational data that include states’ support for China’s potential order using multiple identification strategies combined with a case illustration. I then conduct an online conjoint experiment in two countries to elicit public sentiment dynamics that share and shape elite sentiments. Additionally, I test capital account policy, supporting Russia’s war, and UNGA voting patterns to support my mechanisms.

4.1 Data, Measures, and Methods

Dependent Variable: Supporting Chinese Leadership

I contribute to the field by comparing three promising measures of supporting Chinese leadership based on the literature, by showing their validity in my context. In the age of Xi’s “building China-led order,” there have been arguably three historically salient events we may use to measure support: becoming the AIIB (Asian Infrastructure Investment Bank) founding members, attending the first BRI summit, and applying to join the BRICS in its initial rounds.

Becoming the AIIB Founding Members – Qian et al. (2023) argues that becoming the AIIB founding members in 2015 is a means of embracing China’s rising status. Yet, Broz et al. (2020) contends that the AIIB modeling the World Bank as a multinational institution can obscure the motivations validating a unilateral Chinese leadership. Moreover, as I argue, it is a weak measure

as it misinterprets states' motivations. Becoming a founding member has low prospects of mitigating external deficits and in turn requires states to submit funds for share subscriptions, which is especially hard for deficit states.²⁶ It's thus more seen as commercial opportunity than leadership support; in fact, many European founding members are unsurprisingly surplus states such as Germany, Switzerland, and Scandinavian countries.

Sending State Heads to the 2017 BRI Summit – Broz et al. (2020) seminally propose a behavioral measure for supporting Chinese leadership. Their theoretical framework of “leadership transition” posits that states are pushed to China due to long-lasting grievances, namely financial instability in the U.S.-led order. They argue that sending *state heads* to the 2017 BRI summit (rather than becoming one of the over 150 members) is a stronger signal than other measures²⁷ They list four reasons: The BRI is the alternative leadership China actively provided in the wake of Trump's inward-looking shift. The BRI is a unique Chinese vision exogenous to the current order (so that support won't be misinterpreted). Sending state heads is a costly signal of validating Chinese leadership, especially when a Western order still dominates and China is an illiberal state. Finally, the communiqué targets existing order's problems.

Applying for the initial BRICS Membership – This behavioral measure is problematic also due to misinterpreting motivations. Before Russia's invasion of Ukraine, the BRICS was largely in name only with diverging strategic interests.²⁸ China, accounting for 70% of the bloc's economy, has struggled with its image under Xi. While China wishes to use the bloc as a rival to the G7, South Africa says it's “extremely wrong” to be anti-West.²⁹ Despite the geopolitical tensions and huge deficits with China, India is friendly to Russia. Brazil's populist president actively pushes for de-dollarization. These mixed signals obscure the bloc's potentials, as well as applicants' motivations. Unlike the BRI attendance, states may be more skeptical: regional power Indonesia turned down invitation, citing its fragility and lack of unity, followed by Argentina.³⁰ As of September 2023, 12 out of 19 countries who have formally applied to or will join the BRICS all after Russia's war are autocracies (Polity < 0), compared to only 7 of 29 in the BRI summit.³¹

In the case of global imbalances, sending state heads to the 2017 BRI summit is arguably the

²⁶ Article 5, Articles of Agreement of the AIIB.

²⁷ Although membership can also be a signal (Davis 2023), in this context, state heads' attendance is a stronger, more costly signal than the almost universal, cost-free BRI membership.

²⁸ “BRICS is doubling its membership,” Atlantic Council, 24-August-2023.

²⁹ “China urges Brics to become geopolitical rival to G7,” Financial Times, 20-August-2023.

³⁰ “Analysis: Indonesia joining BRICS,” The Jakarta Post, 4-September-2023.

³¹ See <https://en.wikipedia.org/wiki/BRICS>.

only applicable measure of supporting Chinese leadership, same as Broz et al. (2020). Unlike Broz et al., I do not necessarily distinguish Chinese economic leadership or general leadership, neither do transition theories; China’s BRI stretches beyond economic domains. In the Appendix, I run tests with all three measures and the results are consistent with my expectations.

Independent Variable: Measuring “Grievance”

To measure the grievances generated by external imbalances as a cumulative value, most empirical research calculates simple average or sum. For instance, Broz et al. (2020) uses the total count of past financial crises to measure cumulative distress. The problem is that a recent event should be more felt than a long-ago one. As such, I employ the weighted average to measure the accumulated imbalance grievances G_{t_n} between t_0 and t_n , expressed as:

$$G_{t_n} = \frac{\sum_{t_1}^{t_n} (1 - (t_n - i)d) B_i}{\sum_{t_1}^{t_n} (1 - (t_n - i)d)}$$

where B_i refers to current account or trade balance in year i . d is the discount factor to assign lower weight to older values. For example, if $d = 0.05$ (in my main tests) and the year of 2017 is weighed at 1, intuitively, a 20-year-old event may be almost forgotten. In the Appendix, I test multiple discount values (from 0 to 0.2, with 0 being simple average) and the results are consistent.

Probit Models

I first employ regressions as the first method. As in many observational studies, causes can remain latent generating effects unwittingly; policymakers may simply feel discontented by a combination of grievances. It may be hard to expect leaders to publicly and clearly associate the varying discontent with the summit attendance, especially regarding supporting an authoritarian challenger. So I rely on *identification strategy* and other validations.

As I adopt the dependent variable (DV) “sending state heads to the 2017 BRI summit,” I base my model specifications on previous studies Broz et al. (2020) but estimate a Bayesian model due to a relative small sample size, although the results are robust to probit models in Appendix. Of the 29 states that sent state heads, 18 ran negative average current account balances over two decades, and 15 had over five financial crises since 1990. As explained, since a country’s two balances (current account and trade) can diverge and can be perceived separately, they may exert independent and/or interplay effects (e.g., interaction or confounding). Thus, I put both in the main model.³² The two

³²In the Appendix, current account and trade balances are also tested separately.

variables of interest are weighted average current account and trade balance (% of GDP) from 2010 to 2017, the most recent decade.³³ The DV is dichotomous – attendance. All models control for a list of covariates in the full model of Broz et al. Being on the BRI routes for favored investment opportunities and having free trade or investment agreements with China are controlled for the “pull factors” to attend the summit. Other covariates include Ideal Point distance from China, leader’s ideology, regime type (Polity V), and the CIRI human rights index for political factors that may influence attendance, and GDP (log), GDP per capita (log), and GDP growth rate for economic controls. A dummy variable of Africa is used to account for under-representation at the summit as in the original models. Since financial instability such as currency or balance of payment crises are closely related to persistent deficits (Obstfeld and Rogoff 2009), I retain the variable of interest of Broz et al. – financial crisis count. The data of all control variables comes from Broz et al. Moreover, I will conduct sensitivity tests to mitigate omitted variable issue.

Control Function Method (Instrumental Variable)

To double confirm the results for issues like reverse causality, I adopt *control function method* (2SRI, Two-Stage Residual Inclusion in the probit case (Terza et al. 2008)),³⁴ which utilizes an instrument variable. A control function renders an endogenous variable exogenous and its common form is the residual after regressing treatment on instrument(s) and covariate(s) in the first stage. As explained, external balance is strongly correlated with industrial intensity (industrial output as % of GDP), I then use *historical industrial intensity* (2000-05) as a plausible instrument for the following reasons:³⁵ First, historical industrial intensity is one of the factors that affect historical imbalances which, for many countries, persist due to many reasons as explained. But historical intensity should unlikely affect attendance in 2017, apart from the grievance *recent* imbalances generates. The correlation between instrument and DV is zero, making direct effect less likely. Second, neither theoretical nor empirical evidence suggests states blame the current order for historical industrial intensity as a grievance (echoing the null finding in Table 4, “deindustrialization” column). Third, as described, the BRI summit is more of a political venue than one of economic practicality. However, even in an unlikely case where industrialists (e.g., firms in Germany or Singapore) push for leader’s attendance for markets or collaboration (or by leaders themselves), the estimate should bias toward

³³The 2010-17 range contains more countries (150+ vs. 120+ of the 2000-17 range), and the recent decade is more felt. Nonetheless, the 2000-17 range is also tested in the Appendix, showing consistent results with larger magnitudes.

³⁴Arguably better than Heckman selection model (Imbens 2010). 2SLS (Two-Stage Least Squares) is for linear models.

³⁵Industry output corresponds to ISIC divisions 05-43, including mining, manufacturing and construction.

zero (meaning the real effect is further away from zero).³⁶ Moreover, in case covariates like regime type may potentially affect both historical industrial intensity and attendance, in both stages I control for a host of country-level characteristics as in probit models.³⁷ The two stages are formally expressed as:

$$T_i = \pi_0 + \pi_1 Z_i + \pi_2 \mathbf{X}_i + \eta_i$$

$$Y_i = \beta_0 + \beta_1 T_i + \beta_2 \mathbf{X}_i + \beta_3 \hat{\eta}_i + \epsilon_i$$

where T_i , Z_i , \mathbf{X}_i and Y_i are treatment (external imbalance), instrument (industrial intensity), covariates, and outcome (attendance) respectively. The estimated residual $\hat{\eta}_i$ from the first stage serves as a control function in the second stage, rendering the treatment exogenous.

4.2 Empirical Results

	DV: State Head's Attendance to the BRI Summit							
	Probit Model							2SRI/IV
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Current Bal.		-0.087** (0.040)		-0.098*** (0.028)	-0.091** (0.037)	-0.100*** (0.036)	-0.109*** (0.031)	-0.168* (0.089)
Total Trade Bal.			0.004 (0.014)	0.053** (0.023)	0.054** (0.027)	0.057** (0.027)	0.036. (0.023)	
Total Current Bal. x Trade Bal. w/ China					-0.156* (0.091)			
Total Trade Bal. x Trade Bal. w/ China						-0.051* (0.030)		
Total Trade Bal. x Total Current Bal.							-0.002* (0.002)	
Controls	✓	✓	✓	✓	✓	✓	✓	✓
Pseudo R^2	0.378	0.406	0.355	0.404	0.406	0.399	0.419	0.412
Num.Obs.	154	144	139	132	118	118	132	142

. p < 0.15, * p < 0.1, ** p < 0.05, *** p < 0.01

Table 2: Persistent External Imbalances on the BRI Summit Attendance.

Table 2 shows the results of various models, including probit and 2SRI. Model 1 is the full model in previous studies on attending the BRI summit (Broz et al. 2020) as my baseline; all subsequent models control for the same covariates. Current account balance is negatively correlated with attendance propensity in Model 2, while Model 3 shows that trade balance has the expected null solo effect. In other models, current account balance and trade balance are added together as

³⁶Arguably, it's even more unlikely that domestic actors in poor low-industrialized or de-industrialized countries influence state heads to attend, or equivalently, those in industrialized countries influence leaders not to go. Again, I control for country characteristics including GDP per capita.

³⁷Similar to Acemoglu et al. (2001). This is theoretically desirable since instrument's validity depends on conditional exogeneity to avoid omitted variable bias (Abadie 2003).

mentioned for possible independent or interplay effects. Model 4 shows that current account balance is negatively correlated with attendance, whereas trade balance is positive with a smaller magnitude. Together, the zero or positive coefficient of trade balance is consistent with my theory – when a state has trade deficit issues, it is less likely to be pushed to China. Instead, current account issues do. This is also consistent with the coefficients of FTA and BIT where the former is insignificant. Model 5 adds an interaction term of total current account balance and trade balance with China (average over the past five years). The ambivalence effect of my theory is confirmed: the more a state runs a trade deficit with China, the more the “push” effect for Chinese leadership diminishes. Similarly, Model 6 shows that the negative bilateral trade balance with China makes the total trade balance’s effect even larger – even more states don’t support China’s leadership. Model 7 adds the interaction term of current account and trade balances to show whether one balance is counteracted by the other (only one deficit should be better than both deficits). The negative coefficient of the interaction term is small but in line with theoretical expectation. For potential multicollinearity issues between variables, especially between current account and trade balances, all models pass the VIF check for violations. Notably, the correlation between two balances is insignificant ($p > 0.18$). The standard errors are adjusted for heteroskedasticity.

Model 8, employing the control function method, estimates a consistent effect of a similar magnitude that double confirms probit models.³⁸ The F-statistic in stage one is over 11, suggesting a strong instrument. The coefficient in stage two is slightly inflated compared to probit models. Overall, all results systematically and consistently support my hypotheses how external balances affect the propensity to support an alternative leadership. (add to table stage 1, stage 2)

Sensitivity Tests

To further strengthen the results, I conduct sensitivity tests following Cinelli and Hazlett (2020) with the goal to gauge how strong an omitted confounder needs to be to completely explain away the effect of the variable of interest. As Cinelli and Hazlett suggest, it’s more productive to consider the relative strength by comparing the unobserved confounder to observed covariates, since the absolute strength (i.e., residual variance) can be harder to argue for/against and the strongest covariates are often identified in models. As such, I choose three covariates that arguably strongly confound the results and are statistically significant: BRI locations (`bri_loc`), Ideal Point score (`ideal_point`), and

³⁸The IV model is only run for current account due to no strong instrument simultaneously for both balances and that trade balance’s coefficient is ambiguous. More tests are done in the Appendix.

per capita GDP (gdp_pc).

Figure 9 plots the sensitivity curves which represent the estimates of global imbalance given the hypothetical partial R^2 of the omitted confounders with treatment ($R^2_{D \sim Z|\mathbf{X}}$) and outcome ($R^2_{Y \sim Z|D,\mathbf{X}}$). In a nutshell, any omitted confounder that nullifies the main estimates would need to be 15 times, 17 times, and 38 times as strong as bri_loc, ideal_point, and gdp_pc with both treatment and outcome.³⁹ The result suggests less concerns for omitted variable bias.

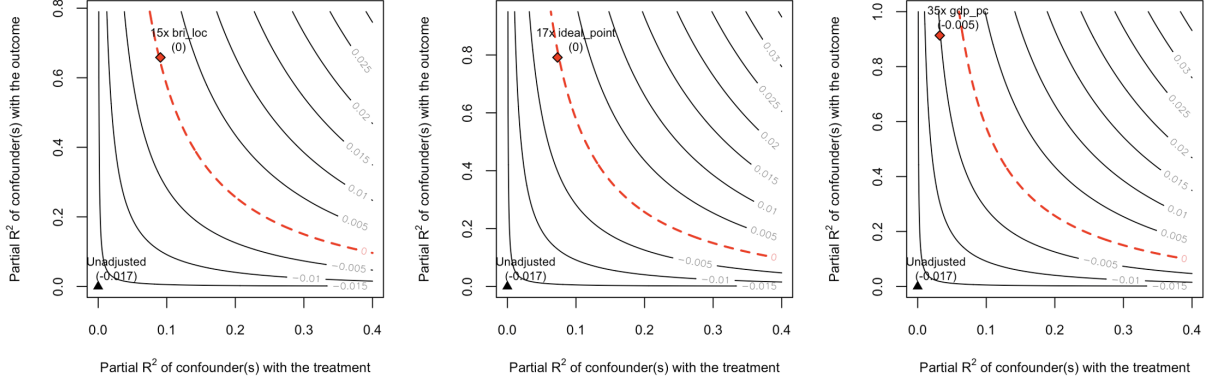


Figure 9. Sensitivity Contour Plots of the Omitted Variable Bias for BRI locations (15x), Ideal Point score (17x), and per capita GDP (35x+)

Testing “Helpless Issues”

Next, the hypothesis “only helpless issues lead to supporting Chinese leadership” will be tested. Eight more potential issues inside the LIO are included. For import competition, I use the change in import share in 2010-17, with the start-year 2010 so that the near aftermath of the 2008 Financial Crisis can be avoided.⁴⁰ For low FDI levels, the average FDI net inflow share (2010-17) is calculated, and for the same period, I measure poor economic performance using the average GDP growth rate. I use the income share of the top ten percent of the population to measure economic inequality. For deindustrialization, I use the change in manufacturing output share. The data for all preceding variables are retrieved from the WDI databases. Additionally, a country’s debt burden is measured using the central government debt rate in 2016, in which year the unemployment rate is used to proxy labor market troubles (both are retrieved from the IMF data). Lastly, the dissatisfaction about global economic governance is proxied by the difference between a country’s vote share in the

³⁹ As noted by Cinelli and Hazlett, these results are conservative for multiple (possibly non-linear) omitted confounders. See Appendix of the implementation details.

⁴⁰ Also the past decade is mostly felt. A longer period of 2000-17 is tested in the Appendix.

IMF and its global GDP share (in current US dollar) as in Broz et al. All covariates in the previous full baseline model are controlled for.

	DV: State Head's Attendance to the BRI Summit								
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Import Share Change	0.007 (0.009)								0.041 (0.026)
Avg. FDI Share		0.001 (0.006)							-0.002 (0.009)
Top 10 Pct. Income			-5.117 (3.142)						-7.054 (6.308)
Avg GDP Growth				0.043 (0.061)					0.042 (0.136)
Avg Manufac. Share					0.014 (0.026)				-0.001 (0.036)
Central Gov. Debt Share						0.002 (0.004)			-0.004 (0.006)
Unemployment Rate							0.007 (0.042)		0.013 (0.064)
IMF Gov Deficit								-0.143 (0.424)	0.327 (0.548)
Avg. Current Account Bal.									-0.105*** (0.033)
Financial Crisis Count									0.103** (0.049)
Controls	✓	✓	✓	✓	✓	✓	✓	✓	✓
Num.Obs.	154	169	161	172	161	171	168	174	118

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table 3: Multiple LIO Issues on Attending the 2017 BRI Summit.

Results are displayed in Table 3. Models 1-8 test the additional eight globalization issues respectively. None of the eight issues is statistically significant. Additionally, Model 9 puts all ten issues together (multicollinearity compliance is particularly ensured). Again, all variables remain insignificant, except for global imbalances and financial instability. That exactly these two expected variables are significant is unlikely coincidental. Combining all the models, the hypothesis that “only helpless issues are likely to push states to support Chinese leadership” seems valid, which suggests that the two significant issues should raise special attention from the LIO’s leaders. Importantly, Model 9 that includes all issues together also serves as the robust check to exclude confounders for global imbalances. The statistical power of all models are especially checked due to the relatively small sample size.⁴¹ Figure 8 displays the scaled marginal effects, that is, what the effect is given one standard deviation increase while keeping covariates at their mean values. As it shows, comparatively global imbalances bear the largest effect magnitude.

⁴¹These models have around 80-85% statistical power, which measures the the likelihood of detecting an effect when there actually is one.

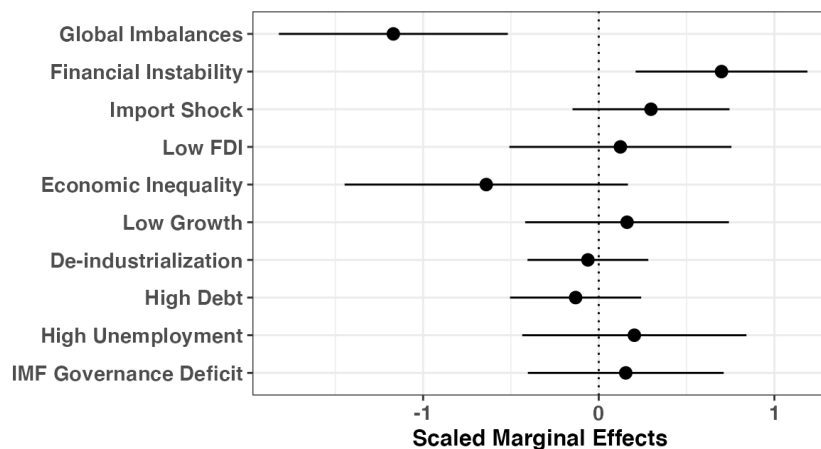


Figure 8. Scaled Marginal Effects of Multiple LIO Issues

Illustrative Case: Italy’s Attending, Joining, and Quitting

To illustrate and further corroborate my theories, I use the example of Italy. Italy was the only G7 country to send state head to the 2017 first BRI summit and later joined the BRI in 2019. It’s an ideal case because if my theory holds for a G7 state that is less likely to be “pushed” to China, it should more likely hold for others, like the aforementioned concerned African countries.

The joint communiqué of the BRI summit specifically addresses the risks of “financial crises and unsustainable development” (Broz et al. 2020), which are theoretically linked to persistent global imbalances as discussed. Italy was then crisis-replete: it would soon enter a recession the following year after years of debt crisis and stagnation, recorded onerous public debt, and suffered a long period of current account deficits not long ago (2000-12) – a combination of grievances.⁴² Consequently, Italy elected a populist government which was “in the battle with the EU” – a key pillar of the current order.⁴³ Thus, Italy was sort of pushed to China by grievances within the LIO. Notably, although Italy may not attribute its position change solely to external deficit, it did relate to it. Luigi di Maio, former Economic Minister, who later signed to join the BRI, was indeed hoping for “a substantial increase of exports” to improve external imbalances, suggesting Italy’s worry about the state of external balances that may deteriorate again and its hope for the alternative. Particularly, compared to a few years later, Italy was driven more by financial grievances (e.g., debt, recession, and lack of investments) with relatively less concerns over Sino-Italy bilateral imbalance, so China as an outside option seemed viable.⁴⁴

⁴² “Italy joins China’s Belt and Road Initiative,” Aljazeera, 23-March-2019.

⁴³ Ibid

⁴⁴ Ibid

However, Italy’s 2023 withdrawal from the BRI (the reversal of support), although amid domestic political shift, cites explicitly the unexpectedly worsening trade imbalance. In just four years from Italy’s accession, the Italy-China bilateral deficit more than doubled. In July 2023, during an interview with local newspaper *Corriere della Sera*, Defense Minister Guido Crosetto remarked, “... joining the Silk Road (BRI) was an improvised and wicked act... we exported a load of oranges to China, they tripled exports to Italy in three years...”⁴⁵ This reflects Italy’s realization that a hope for the BRI to alleviate its imbalances and other financial issues was futile and bilateral trade was indeed a trouble source. In other words, the China alternative proved disappointing, precisely because of bilateral trade relations.

That the first Italian government joined the BRI due to a combination of financial grievances, and the second government quit it after realizing that bilateral trade busts hope, exactly agrees with my theories. While Italy gave four more years to validate possible trade concerns conditional on political cycles, others may have recognized it earlier. Consequently, countries with persistent external imbalances may embrace the BRI or similarly have ambivalent attitudes.

Additional Robustness Tests

I conduct additional robustness tests in the Appendix. First, to ensure that no outliers are driving the results, any country or continent or year is removed from the dataset. Additionally, 5% data of external balances are removed from both tails to eliminate extreme values. For example, Mozambique runs an average trade deficit of -25%. Second, I fill in the missing data by Multiple Imputation and rerun all tests. Third, I add more controls. Dummy variables for continents of Asia and Latin America are added to control for the impact of travel distance or regional fixed effects. Similarly, a dummy of the Global South and race (white) is added. Fourth, a few alternative measures are used to rule out specific coding sensitivities. Regime type (Polity V) is replaced by the Freedom House index and VDem liberal democracy index. The DV attendance is re-coded as an ordinal variable (to differentiate state heads, ministers, and below), and is run using ordered probit models. Fifth, as mentioned earlier, separate tests for current account and trade balances are conducted. All these robustness tests show consistent results.

⁴⁵“Italy intends to leave China’s Belt and Road Initiative,” *Politico*, 30-July-2023.

4.3 Public Opinion Experiment

Separately, I conduct a public opinion experiment to support my mechanisms. Although surveys on leaders would be impossible, a public opinion experiment in this case would help validate the mechanisms, particularly on four conditions in *H3* and the outside option. The sentiment involved is shared among elites and the mass, and foreign policy reaction is often shaped and constrained by public sentiments.

4.4 Additional Evidence on Mechanism

In Section 3, I presented rich evidence how global imbalances may cause lasting grievances among states which trigger behavioral change. The mechanism goes through the key – states’ dissatisfaction as an emotional reflection. I conduct extra cross-domain tests as the testable implications of the mechanism.

Capital Account Policy Volatility – Grievances are arguably difficult to measure quantitatively. Nonetheless, I follow Broz et al. (2020) to calculate the standard deviation of the Chinn-Ito capital account openness measure. Although variability of capital account policy may not exactly proxy the grievances solely generated by global imbalances, it nonetheless unveils “the difficulty a nation has had with external finance.” Behavior reflects the underlying emotion. In theory, when facing persistent deficits, states may alter capital controls to either limit to cool down factor inflation, or increase capital inflows to finance deficits. This measure (2005-17, lagged by five years) is negatively correlated with average current account balance (2000-17) with $p = 0.02$. The correlation that countries with higher deficits more frequently alter capital account policies suggests that the grievances, if any, may partly come from imbalances.

UNGA Vote Convergence – The inherent logic of states’ behavioral change in my story – grievances about external deficits – may affect other bilateral political relations. Scholars have widely studied the relationship between trade and politics (Flores-Macías and Kreps 2013; Kastner 2016). In the Appendix, my tests show that bilateral imbalances negatively predict states’ voting affinity with China on the UNGA human rights resolutions since 1992. This supports the key elements of my theory – negative perceptions and reactions. Like my main results, I also find differentiated effects between total and bilateral imbalances.

	DV: UNGA Human Rights Vote Convergence							
	OLS					Mixed	2SLS	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Trade Bal. w/ China	0.023** (0.009)	0.010** (0.005)	0.009** (0.004)	0.011** (0.004)	0.012*** (0.004)	0.010*** (0.003)	0.070*** (0.018)	0.074*** (0.021)
Trade Bal. w/ China x Total Current Bal.				−0.007* (0.004)				
Trade Bal. w/ China x Total Trade Bal.					−0.009* (0.006)			
Total Current Bal.				0.027 (0.024)				
Total Trade Bal.					0.025 (0.025)			
CINC		3.875. (2.598)	−6.799 (21.352)	−7.262 (20.530)	−8.370 (21.117)	2.865 (2.295)	−10.505* (5.915)	−8.868. (6.067)
Joint Democracy		0.272*** (0.041)	0.116** (0.055)	0.109** (0.053)	0.105* (0.057)	0.163*** (0.020)	0.156*** (0.027)	0.154*** (0.028)
Human Rights		0.009 (0.013)	−0.019 (0.019)	−0.006 (0.015)	−0.018 (0.019)	−0.008 (0.008)	0.005 (0.011)	−0.009 (0.011)
Total Trade w/ U.S.		0.0007 (0.001)	−0.0007 (0.002)	0.0005 (0.001)	0.0002 (0.002)	−0.0003 (0.0009)	0.002 (0.002)	0.002 (0.002)
Total Trade w/ China		−0.009* (0.005)	−0.013*** (0.005)	−0.012*** (0.004)	−0.012** (0.005)	−0.011*** (0.003)	−0.027*** (0.006)	−0.027*** (0.007)
Total U.S. Aid		−0.017. (0.011)	−0.013* (0.007)	−0.014* (0.008)	−0.012 (0.008)	−0.010* (0.005)	−0.014** (0.007)	−0.014** (0.007)
GDP per capita		−0.077*** (0.012)	−0.073* (0.042)	−0.051 (0.040)	−0.079* (0.044)	−0.093*** (0.011)	0.034 (0.026)	0.032 (0.027)
Country FE			✓	✓	✓	N/A	✓	✓
Year FE			✓	✓	✓	✓	✓	✓
Num.Obs.	1623	1245	1245	1126	1190	1126	1199	1245
R ²	0.023	0.508	0.731	0.729	0.740	0.750	0.694	0.668

* p < 0.1, ** p < 0.05, *** p < 0.01

Table 5. *UNGA Human Rights Vote Convergences with China of Non-Asian Countries.* Notes: standard errors are clustered at the country level.

Support for Russia's Invasion – Grievances motivate states to embrace new leadership. Yet due to the dearth of support opportunities, other forms of expressing discontent and undermining the order may take place. Appeasing Russia's invasion of Ukraine may well be one such case, when Russia's blatant attacks violate much of the order's rules and norms. In the Appendix, I show that long-term current account deficits predict states' votes in favor of Russia on the UNGA ES-11/1 resolution, which immediately demanded basic corrections from Russia.

4.5 Alternative Explanations

Can other mechanisms apart from the push channel explain the empirical link between imbalances and support for Chinese leadership? Theoretically, long-term imbalances can cause other long-term issues which can confound states' support switch. Yet, as the models above have controlled for most theoretical co-occurring variables, mitigating the concerns that we have confounders. Another

alternative explanation would be that states merely looked to the BRI to solve their deficit issues – a pull mechanism. Apart from controlling for China’s appeals such as FTA and BIT, historical evidences, theories (e.g., institutionalism and political psychology), and illustrative cases suggest that the push mechanism should play an important role. The grievances are real; additional evidence below shows that deficit-caused grievances are also connected to other political reactions. While I cannot completely rule out the “pull” channel, supporting a Chinese order that is less popular and competitive and contradicts the current one numerously is more likely to be linked to disliking the latter. States are unlikely to be pulled away purely. Moreover, although Chinese loans may help finance the deficits, attending the BRI summit as a *costly* behavior for supporting leadership was unlikely *only* just about technical solutions; nor is the summit a technical solution, similar to becoming AIIB founding members.

Why Now?

Lastly, why do we see states support a Chinese leadership now as global imbalances have been around for decades? Three responses are in order: First, as in the comparison of three DV measures, there hasn’t been a real order competitor and a proper support event before 2010 since the issue emerged. But once the change in political opportunity structure (e.g., the emergence of competitor) appears, the grievance can appear especially intolerable (Tocqueville 1856). Second, the above discussions on historical attitudes toward deficits and my extra tests on the UN Voting patterns reveal that concern existed long ago. But since temporary deficits are often dismissed as benign, policymakers may need time to verify their significance. Third, “cumulative” is the key here. In other words, even if one’s imbalance rate remains constant, the accumulated grievances will grow with time. In fact, in the Appendix, I show that the effect magnitude of the two-decade average is larger than that of one-decade.

5 Conclusion and Discussion

Studying issues or problems is important in current world politics: absent them and the associated grievances, populists like Donald Trump may not have a chance to rise. Despite a wealth of literature pointing out varied issues within the LIO, little is known about their political consequences, especially how and when they may manifest. The paper investigates one of the most controversial issues – the persistent, structurally distorting global imbalances that are featured by the order amid

rising anti-globalization and geopolitical tensions. First, I show that, apart from the known impacts which mostly come from economics, global imbalances indicate a cross-national disparity in development performance and engender lasting grievances. I provide consistent, robust evidence showing that the grievances have political consequences: persistent current account deficits weaken the support for the U.S.-led order, instead for an alternative leadership – by sending state heads to China’s BRI summit. Second, only issues that I conceptualize as helpless may trigger the disengagement. Moreover, the nuance lies in the focal issue and outside options – trade imbalances don’t manifest as much as current account imbalances, since China’s trade practices are controversial; bilateral trade deficits with China also diminish the propensity to support Chinese leadership. Trump’s provocation of allies may drive some toward China, though it depends on China’s behavior. This implies sort of resilience of the current order apart from what’s pointed out by Lake et al. (2021). Overall, my theory and robust findings are consistent with power transition theories (Organski and Kugler 1980), but are the first to point to the complicated and nuanced process which is particularly relevant today. My findings also echo Broz et al. (2020) regarding states’ differentiated support on financial crises and WTO complaints. They also speak to the literature on institutional bargaining (Lipsky 2015) in that the heterogeneous nature of LIO’s issues may affect members’ relationship with the order.

The often-downplayed external imbalance becomes increasingly focal in a contentious geopolitical age. Global imbalances reflect more structural problems than the perhaps temporary domestic backlash, beyond sub-national winners/losers (Baccini 2019; Hiscox 2001) and the oft-sanguine conventional trade models. Global imbalances also echo the fact that globalization (especially post-1990) has disproportionately benefited a few states (Baldwin 2016). Most deficit states are emerging democracies, running against LIO’s social purposes (Lake et al. 2021; Ruggie 1982).

The immediate implications for today’s geopolitical dynamics are noteworthy. For example, South Korea in 2023 recorded its first bilateral deficit with China after three decades (so does Japan), coupled with the U.S. becoming its largest surplus trading partner. This suggests that Korea (and Japan) will likely lean further away from China. The logic can help predict China-India relations, and explain why China-Australia relations have softened, as Australia generates some \$40 billion bilateral surplus. Overall, the findings have a broad range of political implications. First, apart from the already known economic impacts such as indebtedness and financial instability, I highlight the existence of cross-country development disparity indicated by global imbalances. This

needs policy attention and the order supporters need to seriously examine the system design of the oft-criticized neoliberal globalization. This pertains also to global equality, justice, and norms, when mercantilism “works” and “losers” include many of the Global South and emerging democracies. Both advanced and emerging democracies that confront democratic backsliding and deteriorating institutions need to consider external factors that may erode the underlying structure (Bates 2014). Second, the economic component of the LIO can undermine the LIO itself. If the never-ending global imbalances indicate persistent real and perceived problems facilitated by the current globalization, anti-globalization backlash will unlikely to heal on its own. Protectionism partly results from this long-run accumulated root: The U.S. tariffs and possibly more protectionism from more countries, resembling some characteristics in the 1930s when trade collapsed. Imbalances are largely seen as a zero-sum game.

On the geopolitical fronts moreover, global imbalances become all the more salient. Geopolitical competition today revolves around the competition of economics and governance rather than solely relative gains or military strength. My findings shed light on why China, despite economic prowess, struggles to gain widespread support apart from its regime type, which reveals a positive prospect for the LIO despite contention. Nonetheless, that surpluses are correlated with autocratic regimes (the last correlation in Figure 3) is altering balance of power; China, Russia, and Saudi Arabia, as the top three trade surplus countries in 2022, use their gains from globalization for domestic rule, military building, and geostrategic projects. By contrast, the U.S., with persistent external deficits and rising debt, faces challenges even in maintaining its aging infrastructure, weakening its domestic foundations for global ambitions. Meanwhile, many poor, deficit-ridden countries, mostly emerging democracies, grapple with stagnation and deconsolidation; migrants leaving poor hometowns of few opportunities lead to global migration crises.⁴⁶ Thus, global imbalances speak to a normative contention of global justice and a judgement of globalization outcomes against its expectations. As such, as China agglomerates global production, the U.S. tariffs on Chinese goods that redirect demand to other countries might inadvertently strengthen other developing countries, increase U.S. influence, and create a more balanced globalization. The findings can inform future global trade reforms, when the WTO is less capable of handling issues like mercantilism (Wu 2016). All of this has important implications for U.S. economic and foreign policies and the sustainability of a rule-based international order.

⁴⁶For example, most Latin American countries run persistent external deficits.

One may argue, the attendance of the BRI isn't an actual exit of the order and states' support may vary across events, especially since the Chinese alternative isn't fully substantiated. The logic of losing interest in the U.S.-led order while supporting a peer competitor is what matters. Things may change in ten years or so, as China continues to integrate the global economy, deepen its position in global production and trade, and expand China-led institutions. As per the United Nations (UNIDO), China's share of higher technological value-added output is close to 40% worldwide – a near dominant position. Qian et al. (2023) find that developing AIIB founding members have already decreased the World Bank projects they have entered into. Chinese foreign aid and loans differ in conditionality and normative requirements, which, along with emphasizing capital controls and social stability, stand in contrast to the criticisms of the current order (Broz et al. 2020).

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Appendix

A Descriptive Data

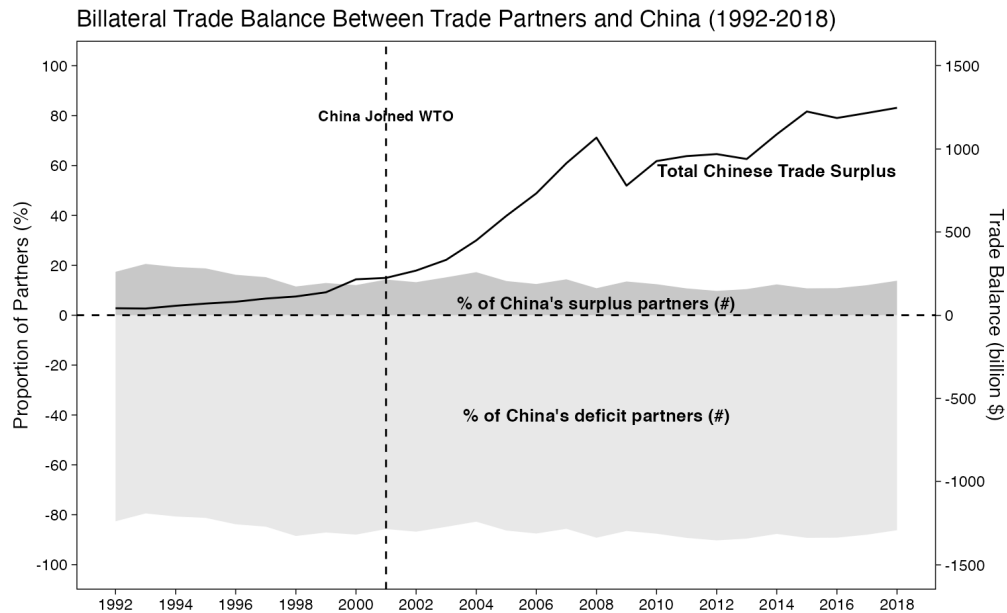
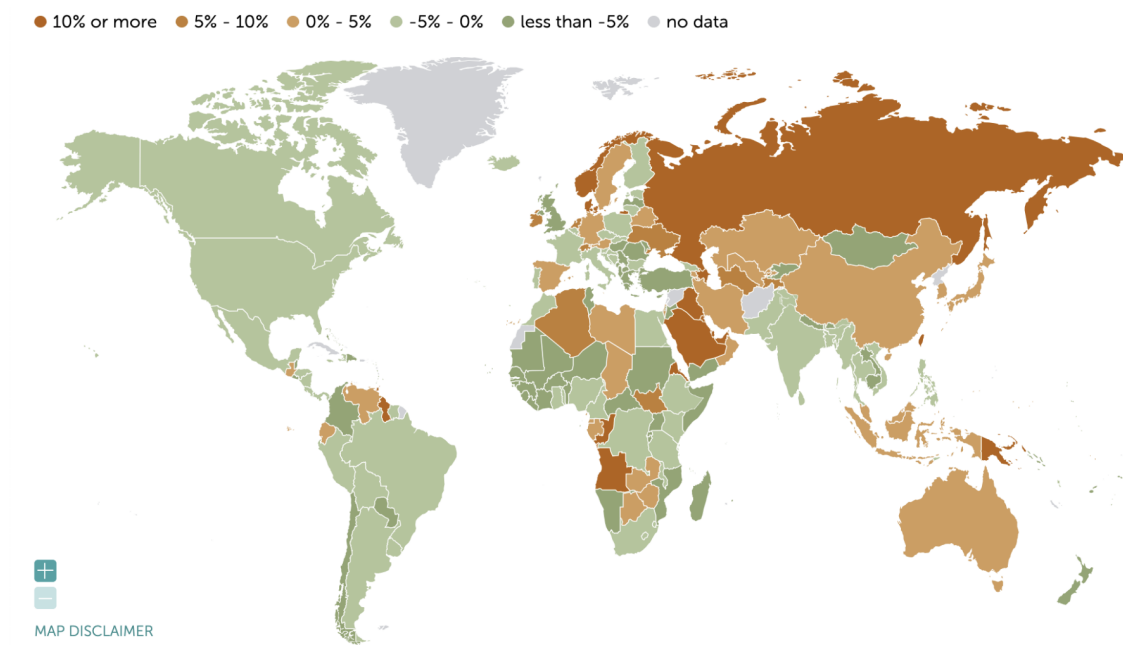


Figure A.1: Bilateral Trade Between Trading Partners and China (source: World Bank). Note: exports/imports data is reported by trading partners.



Notes: The map clearly shows three groups of surplus countries: core Europe, East Asian industrial countries, and oil producers (source: IMF)

Figure 2. *Global Imbalances (Current Account Balance. Graph: Council on Foreign Affairs).*

A.1 Variable descriptions of the “ambivalent exit” case

A.2 Variable descriptions of the “inverted influence” case

A.3 Examples of two balances

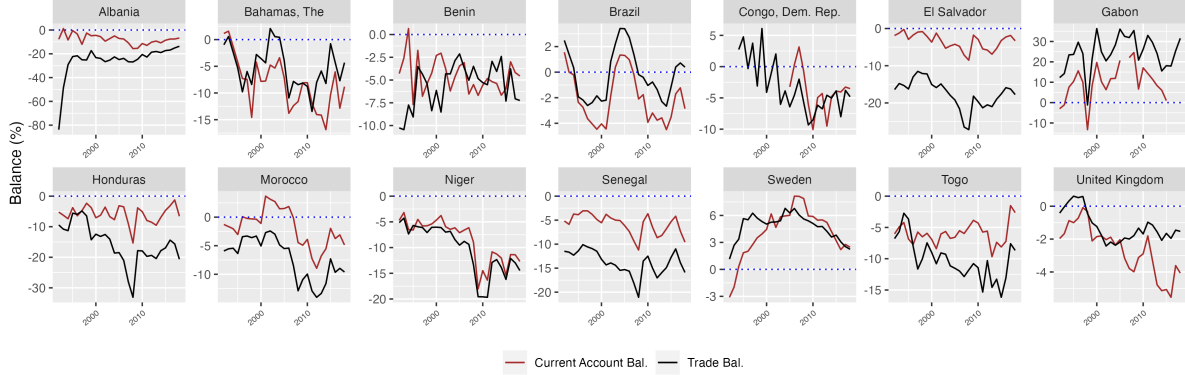


Figure A.1. *External Deficits of Countries (Source: World Bank).* As shown, two balances can diverge, and sometimes have opposite signs.

A.4 The Multiple Imputation version for correlations in Figure 3.

B Economic Models

Apart from cognitive and emotional channels, the following models illustrate how persistent external deficits may economically lead to nationwide dissatisfaction. Although persistent external deficits generate socioeconomic impacts in various ways, here I only illustrate two channels: 1) increased national debt, and 2) shifting labors from industries to services sectors as deficits usually occur in manufacturing sectors for many.

Suppose nationwide satisfaction (utility) is determined by private consumption C , public services provision G , and national debt level D :

$$S_t = U(C_t, G_t, D_t)$$

For example, the functional form could be $S_t = \ln(C_t) + \phi \ln(G_t) - \delta D_t$ to be monotonically increasing. From the expenditure approach, Gross National Income (GNP) Y is decomposed of expenditure ratios in Y : private consumption c , public service provisions g , investment i and external balance n , plus interest payments for national debt D_{t-1} . There are two periods t and $t-1$, and the

GNP growth rate is d . The absolute amount of external balance is $|n|Y$, which amounts to national debt D . In year $t-1$, expenditure equals income:

$$Y_{t-1}(c + g + i + n) + rD_{t-1} = Y_{t-1} \quad (1)$$

Keeping expenditure ratios the same as year $t-1$, the following constraint needs to be met in year t :

$$Y_t(c + g + i + n) + rD_t \leq Y_t \quad (2)$$

Replace Y_t with $Y_{t-1}(1 + d)$, and assume states borrow to finance external deficit (so that debt increases by $|n|Y_{t-1}$), we get:

$$Y_{t-1}(1 + d)(c + g + i + n) + r(D_{t-1} + |n|Y_{t-1}) \leq Y_{t-1}(1 + d) \quad (3)$$

Subtracting (1) from (3) and rearrange, we get:

$$|n| \leq \frac{d}{r} \underbrace{(1 - (c + g + i + n))}_{\text{debt service share of GDP}} \quad (4)$$

(4) implies that given same debt-service burdens (i.e., $1 - (c + g + i + n)$) so that the same levels of other spending are kept over time, $|n|$ need be below a threshold determined by growth d and interest rate r . For countries like the U.S., a worsening external deficit (e.g., since the 1980s), slower growth, or a rising interest rate can reduce other expenditure levels, lowering national satisfaction S_t . Likewise, many countries with persistent external deficit rates as high as 5-30% (see Figure 3) may significantly impact national satisfaction.

Another impact channel works through employment. Assume two sectors of manufacturing and services. The services sector usually employs the largest number of workers nationwide and follows a Cobb-Douglas function. Persistent external deficits implies manufacturing factors such as labor shifting to service sectors (Kehoe et al. 2018). Applying first-order condition gets marginal product of labor, a.k.a. equilibrium wage. As labor moves to service sectors, the wages in the services sector will be depressed. As manufacturing industries shrink, manufacturing wages may also decrease.

$$Y_{st} = A_{st} K_{st}^b L_{st}^{1-b}, \quad w_{st}^* = (1 - b) A_{st} \left(\frac{K_{st}^*}{L_{st}^*} \right)^b$$

Economic models illustrate that persistent external deficits can lead to lower public good provisions, lower consumption, and higher tax. The consequential dissatisfaction (often disproportionately concentrated), if held long enough, can sustain grievances, fuel populism, and affect the survival of incumbents, which, combined with the aforementioned attitudes towards deficits, may particularly concern political leaders.

C Main Results

	DV: BRI Summit Attendance							
	Probit Model							2SRI/IV
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Total Current Bal.		-0.087** (0.040)		-0.098*** (0.028)	-0.091** (0.037)	-0.100*** (0.036)	-0.109*** (0.031)	-0.168* (0.089)
Total Trade Bal.			0.004 (0.014)	0.053** (0.023)	0.054** (0.027)	0.057** (0.027)	0.036. (0.023)	
Total Current Bal. x Trade Bal. w/ China					-0.156* (0.091)			
Total Trade Bal. x Trade Bal. w/ China						-0.051* (0.030)		
Total Trade Bal. x Total Current Bal.							-0.002* (0.002)	
Trade Bal. w/ China					-0.211 (0.628)	0.236 (0.566)		
BRI Position	0.781* (0.435)	1.342* (0.808)	0.744. (0.477)	0.703. (0.468)	0.873* (0.499)	0.836* (0.503)	0.900* (0.462)	0.873** (0.434)
FTA w/ China	0.238 (0.387)	0.339 (0.748)	0.091 (0.432)	-0.297 (0.461)	-0.094 (0.560)	-0.125 (0.554)	-0.290 (0.478)	0.184 (0.431)
BIT w/ China	1.001** (0.434)	2.086** (0.984)	0.983** (0.455)	1.077** (0.536)	0.704 (0.556)	0.747 (0.557)	1.087** (0.542)	1.201** (0.526)
Financial Crises (count)	0.075*** (0.026)	0.131*** (0.050)	0.072*** (0.027)	0.063** (0.026)	0.068** (0.029)	0.068** (0.029)	0.064** (0.028)	0.081*** (0.029)
Ideal Point Distance	-0.700** (0.334)	-1.222** (0.557)	-0.745** (0.340)	-0.778** (0.351)	-0.776** (0.384)	-0.773** (0.376)	-0.942** (0.389)	-0.885** (0.365)
Regime Type	-0.021 (0.036)	-0.098 (0.070)	-0.016 (0.037)	-0.047 (0.043)	-0.022 (0.049)	-0.023 (0.047)	-0.048 (0.044)	-0.105* (0.056)
Leader Ideology	-0.115 (0.127)	-0.093 (0.242)	-0.104 (0.132)	-0.062 (0.132)	-0.104 (0.150)	-0.103 (0.146)	-0.107 (0.138)	-0.103 (0.157)
Africa Dummy	-1.312** (0.601)	-2.534** (1.113)	-1.407** (0.648)	-1.745** (0.714)	-1.801** (0.844)	-1.874** (0.845)	-1.678** (0.720)	-1.372** (0.659)
GDP Growth Rate	0.009 (0.024)	0.018 (0.038)	0.010 (0.026)	0.026 (0.023)	0.011 (0.028)	0.011 (0.028)	0.021 (0.025)	0.022 (0.022)
GDP (log)	0.261* (0.137)	0.584** (0.275)	0.271* (0.143)	0.328** (0.146)	0.277* (0.159)	0.284* (0.158)	0.287* (0.158)	0.469*** (0.163)
GDP per capita (log)	-0.550** (0.220)	-0.726. (0.460)	-0.602** (0.258)	-0.628** (0.268)	-0.575* (0.301)	-0.601** (0.304)	-0.486* (0.284)	-0.137 (0.298)
Human Rights Index	0.259* (0.156)	0.410 (0.297)	0.280* (0.167)	0.248. (0.170)	0.257 (0.186)	0.259 (0.188)	0.261 (0.190)	0.311* (0.166)
Num.Obs.	154	144	139	132	118	118	132	142
Pseudo R^2	0.378	0.406	0.355	0.404	0.406	0.399	0.419	0.412

. p < 0.15, * p < 0.1, ** p < 0.05, *** p < 0.01

DV: State Head's Attendance to the BRI Summit									
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9
Import Share Change	0.007 (0.009)								0.041 (0.026)
Avg. FDI Share		0.001 (0.006)							-0.002 (0.009)
Top 10 Pct. Income			-5.117 (3.142)						-7.054 (6.308)
Avg GDP Growth				0.043 (0.061)					0.042 (0.136)
Avg Manufac. Share					0.014 (0.026)				-0.001 (0.036)
Central Gov. Debt Share						0.002 (0.004)			-0.004 (0.006)
Unemployment Rate							0.007 (0.042)		0.013 (0.064)
IMF Gov Deficit								-0.143 (0.424)	0.327 (0.548)
Avg. Current Account Bal.									-0.105*** (0.033)
Financial Crisis Count									0.103** (0.049)
OBOR Position	0.424 (0.417)	0.401 (0.412)	0.514 (0.373)	0.396 (0.391)	0.401 (0.386)	0.443 (0.397)	0.481 (0.402)	0.424 (0.403)	0.818 (0.585)
FTA w/ China	-0.085 (0.375)	0.233 (0.357)	0.298 (0.408)	0.160 (0.372)	0.128 (0.395)	0.241 (0.358)	0.253 (0.371)	0.221 (0.366)	0.307 (0.651)
BIT w/ China	1.114** (0.479)	1.006** (0.462)	1.329* (0.740)	1.006** (0.465)	1.029** (0.454)	1.007** (0.441)	0.992** (0.479)	1.011** (0.462)	1.101 (0.869)
Ideal Point Distance	-0.653** (0.259)	-0.485* (0.285)	-0.841*** (0.308)	-0.510* (0.272)	-0.527* (0.278)	-0.477* (0.286)	-0.596** (0.279)	-0.536* (0.276)	-1.380*** (0.385)
Leader Ideology	-0.159 (0.122)	-0.073 (0.112)	-0.032 (0.120)	-0.083 (0.112)	-0.089 (0.121)	-0.065 (0.110)	-0.072 (0.111)	-0.070 (0.114)	-0.118 (0.184)
Regime Type	0.057* (0.032)	0.015 (0.033)	0.032 (0.037)	0.022 (0.031)	0.021 (0.033)	0.014 (0.033)	0.022 (0.031)	0.019 (0.032)	-0.015 (0.065)
Africa	-1.244** (0.574)	-1.291** (0.578)	-0.965 (0.640)	-1.302** (0.580)	-1.263** (0.575)	-1.273** (0.572)	-1.246* (0.650)	-1.246** (0.578)	-1.212 (0.992)
GDP	0.247* (0.137)	0.359** (0.142)	0.410** (0.166)	0.365*** (0.141)	0.319** (0.139)	0.346** (0.137)	0.380** (0.155)	0.369** (0.147)	0.426** (0.216)
GDP PC	-0.379** (0.170)	-0.628*** (0.208)	-0.564** (0.255)	-0.594*** (0.203)	-0.576*** (0.208)	-0.628*** (0.203)	-0.627** (0.244)	-0.613*** (0.207)	-0.275 (0.338)
CIRI Index		0.154 (0.119)	0.065 (0.137)	0.158 (0.118)	0.130 (0.126)	0.151 (0.117)	0.185 (0.126)	0.168 (0.118)	0.131 (0.214)
(Intercept)	-0.891 (1.254)	-0.697 (1.203)	0.462 (2.037)	-1.233 (1.197)	-0.746 (1.189)	-0.663 (1.209)	-1.160 (1.095)	-1.011 (1.169)	-1.685 (3.095)
Num.Obs.	154	169	161	172	161	171	168	174	118

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

Table C.1: Statistical models

D Additional Evidence

D.1 Inverted Influence of UNGA Vote Convergence

The second part of empirical tests is on the “inverted influence” hypothesis. As discussed above, the dependent variable is the voting convergence on human rights resolutions at the UNGA. To exclude the complicated influence such as historical, ethnic, religious or territorial factors that are often difficult to disentangle and make the model less efficient, the scope of states is limited to non-Asian countries. I also test other scope such as the Global South and all countries in the Appendix to show the result is not limited to non-Asian. A number of standard control variables are included to account for the influence on states’ foreign policies, as in Flores-Macías and Kreps (2013), the most systematic one on China’s influence, and Gartzke and Li (2003). The dependent variable, the UN votes convergence on human rights with China, takes on 1 if the country-pair voted in agreement, 0 if voted in disagreement, and 0.5 if one of the two abstained. The main predictor, trade balance with China (% in GDP), is the difference of exports and imports reported by a trading partner to the World Bank.⁴⁷ A few other economic variables that could potentially confound are controlled for: total trade volume with China (% in GDP) to account for trade power in the traditional literature, as well as the total trade volume with the US (% in GDP) to control for the counteracting US trade influence, also from the WDI. U.S. aid (% in GDP) is controlled for financial influence, retrieved from the U.S. Agency for International Development (USAID).⁴⁸ *Natural resource rent rate (% in GDP) is controlled, since resource-oriented countries more likely generate trade surpluses with China and place less weight on normative issues. All economic data are lagged by a year. Joint democracy takes the value of one if both countries are not liberal democracies (-10 to 5 in Polity V) in a given year. A similarly non-liberal regime may choose to vote closer with China on human rights issues regardless. I also use the CINC (Composite Indicator of National Capabilities) that incorporate demographic, industrial, and military indicators, taken from the Correlate of Wars project (NMC v6.0), to control for the effect of national power on states’ foreign policy choices (Oneal and Russett

⁴⁷Bilateral current account balance is not traditionally collected. Less than 30% bilateral trade data is missing non-randomly, mostly for pre-2000 years and for smaller countries. Therefore, the results should apply more to more recent years and larger trading partners. A Multiple Imputation version is shown in the Appendix. An alternative data source is the COW project which however has the import/export inconsistency issue by using importer-reported imports data.

⁴⁸Chinese aid data is not included: The only authentic data source Aiddata reports only ODA (Official Development Assistance)-like grants. Aiddata also lacks the pre-2000 period, and scrapes from open sources while much of Chinese aid remains hidden (Flores-Macías and Kreps 2013). Importantly, the OECD estimates that the Chinese aid in 2018 was \$4 billion, tenth among donor states, far behind the United States that provide \$34 billion.

1999). Lastly, a country's human rights practices are accounted for using the Political Terror Scale (PTS). Country fixed effects are included for unit specific, time-invariant omitted confounders such as distance or religion.⁴⁹ The data covers a period of 20 years (1992-2011), which ensures at least three country-specific human rights resolutions per year. Since external balances are stubbornly persistent and are primarily affected by structural economic factors and common external shocks such as global financial crises, only key year fixed effects of 2000/01/08/09 are controlled for, as well as for model parsimony for a limited number of countries. Another benefit of this is to observe the post-Iraq War anti-Americanism trend through a dummy variable ($\text{year} > 2003$), as well as the year trend for the possible evolving perceptions of external imbalances.

Instrumental Variable Approach

As with the previous tests, an instrumental variable approach is employed to more confidently exclude potential endogeneity issues. Since no theoretical literature shows the intricate imbalances can be somehow affected by *future* UNGA voting patterns, concerns for simultaneity bias is largely mitigated. As discussed above, industrial intensity, strongly correlated with overall and bilateral external imbalances, is unlikely to directly affect UNGA voting patterns via channels elsewhere, apart from the bilateral imbalance as the source of tensions. The two-stage formulas are as follows:

$$T_i = \pi_0 + \pi_1 Z_i + \pi_2 \mathbf{X}_i + \eta_i \quad (3)$$

$$Y_i = \beta_0 + \beta_1 \hat{T}_i + \beta_2 \mathbf{X}_i + \epsilon_i \quad (4)$$

where T_i , Z_i , \mathbf{X}_i and Y_i are treatment (external imbalances), instrument (industrial intensity), covariates, and outcome (vote convergence) respectively. In the first stage, the instrument is strong with an F-statistic close to 15. As a stricter robustness test that makes fewer assumptions, the 2SLS model includes all year fixed effects rather than key years. As in Flores-Macías and Kreps (2013), resource intensity (natural resource rent share) is used as another instrument. Arguably, resource intensity may be less robust as an IV than industry intensity, as resource-rich countries are more autocracies (though regime type controlled for) and may care more about the Chinese market whose imports from the Global South are largely natural resources.

⁴⁹ A Hausman test has been run to rule out random-effects models.

	DV: UNGA Human Rights Vote Convergence							
	OLS					Mixed	2SLS	
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Trade Bal. w/ China	0.023** (0.009)	0.010** (0.005)	0.009** (0.004)	0.011** (0.004)	0.012*** (0.004)	0.010*** (0.003)	0.070*** (0.018)	0.074*** (0.021)
Trade Bal. w/ China x Total Current Bal.				−0.007* (0.004)				
Trade Bal. w/ China x Total Trade Bal.					−0.009* (0.006)			
Total Current Bal.				0.027 (0.024)				
Total Trade Bal.					0.025 (0.025)			
CINC		3.875. (2.598)	−6.799 (21.352)	−7.262 (20.530)	−8.370 (21.117)	2.865 (2.295)	−10.505* (5.915)	−8.868. (6.067)
Joint Democracy		0.272*** (0.041)	0.116** (0.055)	0.109** (0.053)	0.105* (0.057)	0.163*** (0.020)	0.156*** (0.027)	0.154*** (0.028)
Human Rights		0.009 (0.013)	−0.019 (0.019)	−0.006 (0.015)	−0.018 (0.019)	−0.008 (0.008)	0.005 (0.011)	−0.009 (0.011)
Total Trade w/ U.S.		0.0007 (0.001)	−0.0007 (0.002)	0.0005 (0.001)	0.0002 (0.002)	−0.0003 (0.0009)	0.002 (0.002)	0.002 (0.002)
Total Trade w/ China		−0.009* (0.005)	−0.013*** (0.005)	−0.012*** (0.004)	−0.012** (0.005)	−0.011*** (0.003)	−0.027*** (0.006)	−0.027*** (0.007)
Total U.S. Aid		−0.017. (0.011)	−0.013* (0.007)	−0.014* (0.008)	−0.012 (0.008)	−0.010* (0.005)	−0.014** (0.007)	−0.014** (0.007)
GDP per capita		−0.077*** (0.012)	−0.073* (0.042)	−0.051 (0.040)	−0.079* (0.044)	−0.093*** (0.011)	0.034 (0.026)	0.032 (0.027)
Country FE			✓	✓	✓	N/A	✓	✓
Year FE			✓	✓	✓	✓	✓	✓
Num.Obs.	1623	1245	1245	1126	1190	1126	1199	1245
R ²	0.023	0.508	0.731	0.729	0.740	0.750	0.694	0.668

* p < 0.1, ** p < 0.05, *** p < 0.01

Table 5. *UNGA Human Rights Vote Convergences with China of Non-Asian Countries.* Notes: standard errors are clustered at the country level.

Table 5 shows the results of the effects of trade imbalances with China on the UNGA human rights vote convergence. Model 1 conducts a simple bivariate correlation and the predictor imbalance is highly significant. Model 2 adds the main control variables and Model 3 also adds country and year fixed effects, with results remaining substantially unchanged. A higher bilateral trade deficit with China does seem to result in states voting differently from China on UNGA human rights resolutions. Model 4 and Model 5 add the interaction of bilateral trade imbalances and total balances (current account or trade). The effect of the main treatment, bilateral balance, is nullified when total balance is positive; in other words, if a state maintains an overall external balance, a bilateral imbalance is of less concern. Model 6 uses a different specification by employing a mixed effect model that treats the intercepts of states as random and incorporates both within-country and cross-country variations of the treatment. The result remains highly similar. Models 7 and 8 are the 2SLS models that respectively use industrial intensity and natural resource intensity as

instruments. The results of IV models are significant and consistent with main models, with larger magnitudes.⁵⁰ Although interpreting control variables theoretically is not advised (Hunermund and Louw 2022), it is interesting to note that the sign of total trade with China is negative even without trade balances. Combining the Pew report (2007) that “China’s expanding influence in African and Latin America is triggering considerable anxiety,” the negative coefficient suggests that unlike in the literature, even total bilateral trade may not bear the positive influence effect at least in the China case, while the soaring trade balance may be the key. Figure 9 shows the predicted marginal effects of bilateral trade balances with China across the values of total external balances: The effects of bilateral deficits become close to null when total current account or trade balances remain positive.

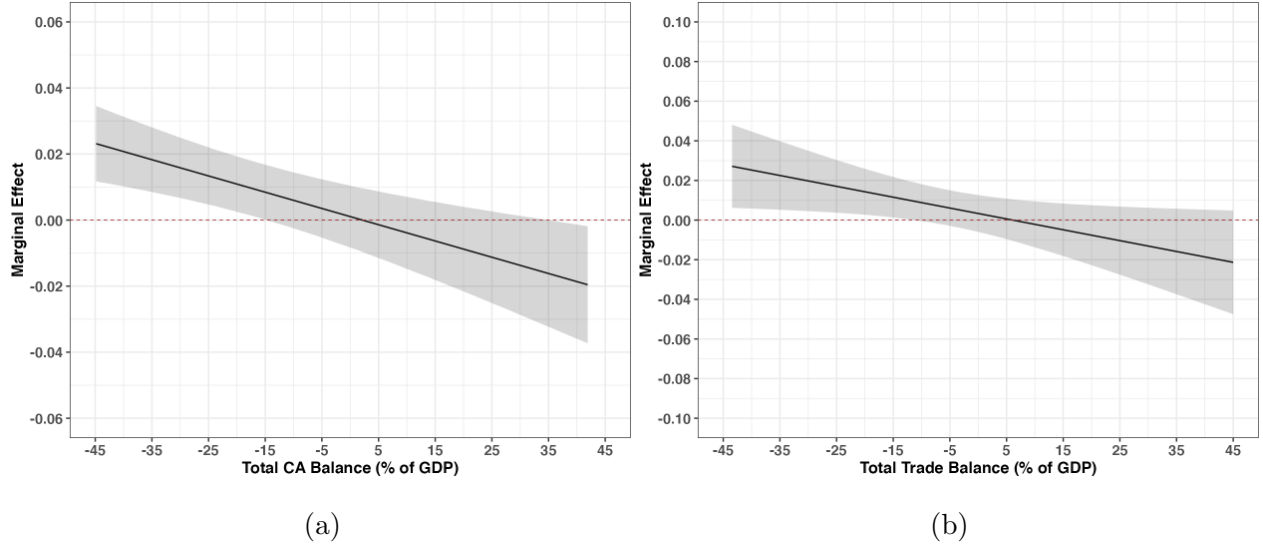


Figure D.2: Marginal Effects of Bilateral Trade Balance with China

E Robustness Tests

E.1 Why not other Dependent Variables for the “Ambivalent Exit” Hypothesis?

The 2019 2nd BRI summit was held on April 27 in China. As discussed in the paper, the main reason why applying for the BRICS in 2022/3 is not an appropriate measure is due to the deteriorated image of core members, thus raising skepticism on whether it’s an economic solution provider or geopolitical instrument. However, since 2017, the image of China and the BRI significantly worsened, after the reports such as Xinjiang re-education camps, Constitution amendment and debt traps. The BRI is

⁵⁰The larger magnitudes are similar to those in Flores-Macías and Kreps (2013), suggesting that the OLS models may have the known attenuation bias (Bound and Krueger 1991).

getting notorious (). Thus, the 2019 BRI summit should not be a measure either. By examining the change of state head attendance between the 2017 and 2019 summits, evidence emerges. 36 States sent state heads in 2019. States which attended the 2017 summit but not in 2019 were: Argentina, Fiji, Indonesia, Poland, Spain, Sri Lanka and Turkey. They were mostly economic solution seekers. States which didn't attend the 2017 summit but attended the 2019 one were: Austria, Azerbaijan, Brunei, Cyprus, Djibouti, Egypt, Mozambique, Nepal, Papua New Guinea, Portugal, Singapore, Tajikistan, Thailand, and UAE. The majority was China's geopolitical neighbors or autocracies. Egypt's president gained power through a coup and just amended the Constitution in April 2019. Austria's far-right populist PM Sebastian Kurz was facing strong opposition domestically, before being ousted by a non-confidence vote the next month. We test the 2019 attendance using Broz's framework and none of the "push factors" are significant.

Descriptive Information of the DV

E.2 Separate tests of current account and trade balances

E.3 Tests using the 2000-17 data in the "ambivalent exit" case

E.4 Tests using the 2000-17 data in the "hopeless grievance" case

E.5 Reporting statistical power in the "hopeless grievance" case

E.6 Separation of exports and imports in the "inverted influence" case

E.7 Tests of "Global South" and "all countries" in the "inverted influence" case

E.8 Re-coding of some variables in the "inverted influence" case

E.9 Tests of the Multiple Imputation version of the "ambivalent exit", "hopeless grievance", and "inverted influence" cases

E.10 Tests of more controls of the "ambivalent exit", "hopeless grievance", and "inverted influence" cases