Explaining Foreign Interest in China's Global Economic Leadership

J. Lawrence Broz
Department of Political Science
University of California, San Diego
9500 Gilman Dr, 0521
La Jolla, CA 93953-0521
jlbroz@ucsd.edu

Zhiwen Zhang
School of International Relations
Sun Yat-sen University
Guangzhou 510275, China
gmszzw@mail.sysu.edu.cn

Gaoyang Wang
School of International Relations
Sun Yat-sen University
Guangzhou 510275, China
wanggy7@mail.sysu.edu.cn

This draft: October 29, 2018

Acknowledgments: This study was funded by the Humanities and Social Sciences Research Foundation of the Chinese Ministry of Education under grant 14YJA790087. We thank Joanne Gowa, Scott Kastner, Phillip Lipscy, Stefanie Walter, David Wiens, and Meredith Wilf for helpful comments. We also thank participants at the joint *Leitner Political Economy Seminar/MacMillan International Relations Seminar* held on 7 March 2018 at Yale University, and participants at the *Princeton Niehaus Institute Political Economy Workshop* held on 24-25 March 2018 in Da Nang, Vietnam.

ABSTRACT: Leadership, by definition, requires followers. In this paper, we analyze the factors that increase the likelihood that foreign leaders will demonstrate interest in China's global economic leadership. We develop a new behavioral measure of *foreign interest in China's global economic leadership* and use it to test the argument that foreign interest stems, in part, from dissatisfaction with the status quo. While we find evidence that foreign leaders are pulled toward China by the benefits of closer economic relations, we also find that grievances with the current U.S.-led international order have helped to *push* foreign leaders closer to China. Grievances about global financial instability are particularly important push factors. Specifically, we find that countries that experienced more financial crises, more volatile portfolio capital inflows, and more variable capital account policies are more likely to demonstrate interest in China's global initiative than leaders of nations that have been less exposed to these forms of financial instability. We also find that grievances about U.S. trade policy are related to foreign interest in China's global leadership, but that grievances about global governance are not.

1. Introduction

Since coming to power in 2012, President Xi Jinping has directed China to play a larger role in global economic governance. While there is debate over the nature of Xi's aims and intentions in building new Chinese multilateral institutions, such as the Asian Infrastructural Investment Bank (AIIB), funding infrastructure projects on a global scale via the Belt and Road Initiative (BRI), and reforming existing institutions like the International Monetary Fund (IMF), little attention has been given to understanding why some nations are more interested in China's global governance efforts than others.

Leadership, by definition, requires followers. In this paper, we analyze the factors that increase the likelihood that foreign leaders will demonstrate interest in China's global economic leadership. Our novel argument is that foreign interest in Chinese leadership stems, in part, from dissatisfaction with the status quo. While we find evidence that foreign leaders are pulled into China's orbit by the attractiveness and benefits of China's global initiatives, we also find evidence that grievances with the U.S.-led international economic order are *pushing* leaders closer to China. We find that grievances about international financial instability have been particularly potent push factors that have helped generate foreign interest in China's global leadership. Specifically, we find that leaders of nations that have experienced more financial crises, more volatile portfolio capital flows, and more variable capital account policies, are more likely to demonstrate interest in Chinese initiatives than leaders from countries that have been less exposed to these financial problems. We also find that grievances about U.S. trade policy are related to foreign interest in the China's global projects. However, we find no evidence that grievances about the governance of the international financial institutions (IFIs) are motivating support for China's economic leadership.

To measure *foreign interest in China's global economic leadership*, we leverage leader participation in the "Belt and Road Forum for International Cooperation," held in Beijing on May 14-15, 2017. President Xi announced the Belt and Road Forum the previous January in his keynote address at the World Economic Forum in Davos, Switzerland. At Davos, President Xi gave a full-throated defense of globalization before summarizing the early successes of the Belt and Road Initiative (BRI) – China's flagship global project that launched in 2013 to fund infrastructure projects along China's historical trade routes with Europe and Asia.[1] Xi ended his remarks by announcing the Belt and Road Forum and describing its objectives: "to discuss ways to boost cooperation, build cooperation platforms and share cooperation outcomes" and to "explore ways to address problems facing global and regional economy, create fresh energy for pursuing inter-connected development and make the "Belt and Road" initiative deliver greater benefits to people of countries involved."[2]

Western media described the forum as Xi Jinping's effort to validate China's leadership of a "New World Order" with foreign leaders and the heads of international organizations.[3] While BRI projects were certainly on the agenda, China's leaders were explicit about the forum's broader objectives. A month before the summit, Foreign Minister Wang Yi announced that "China will use the Belt and Road Forum to build a more open and efficient international cooperation platform; a closer, stronger partnership network; and to push for a more just, reasonable and balanced international governance system."[4] The comparative adjectives in Minister Wang's statement – "more open," "stronger," "more just, reasonable, and balanced" – are references to the U.S.-led international order, which partly justifies our view that the forum was also a sounding board for dissatisfaction with the status quo When asked about the forum's objectives, the official in charge of the preparatory work, State

[1] The backdrop of the Davos conference was the election of President Donald Trump, and wider backlash against globalization. As state news agency *Xinhua* announced just before the Forum, "At a time when certain Western powers are retreating into protectionism and isolation, China has been promoting the globalization of the economy in a spirit of openness and inclusiveness." "China Focus: What to expect from Belt and Road Forum." *Xinhua* 01 May 2017.

[2] The full text of Xi Jinping's keynote speech at the World Economic Forum is available at http://www.china.org.cn/node_7247529/content_40569136.htm

[3] Perlez, Jane and Keith Bradsher. "Xi Jinping Positions China at Center of New Economic Order." *New York Times* 14 May 2017; "China's New World Order: Xi, Putin and others meet for Belt and Road Forum." *CNN*. 14 May 2017; Myers, Jessica. "Globalization 2.0: How China's two-day Summit aims to Shape a New World Order." *Los Angeles Times.* 12 May 2017.

[4] "Belt and Road Forum Agenda Set," *Xinhua* 18 April 2017. http://www.xinhuanet.com//english/2017-04/18/c_136218408.htm

Councilor Yang Jiechi, listed three goals: "first, thoroughly review the progress of the Initiative, showcase important early harvest outcomes, further build consensus for cooperation and sustain the momentum of cooperation; second, discuss major cooperation measures going forward, facilitate greater synergy of development strategies, deepen partnership and work for interconnected development; third, while promoting China's economic and social development and structural adjustment, work to advance international cooperation for win-win outcomes."[5]

The Belt and Road Forum was open to all nations and drew the attendance of 29 heads of state and government from Asia, Europe, Africa and Latin America. Another 56 nations sent cabinet ministers while six nations – Canada, Japan, Mexico, Morocco, and the United States – chose to dispatch lower level officials.[6] Overall, more than 1,200 people attended the forum, "including officials, scholars, entrepreneurs, representatives of financial institutions and media organizations from 110 nations, as well as representatives from more than 60 international organizations," according to state news agency Xinhua.[7] The secretary general of the United Nations (UN), the president of the World Bank, and the managing director of the International Monetary Fund (IMF) also attended the summit. **Appendix Table A1** lists the high-level participants by country, along with some of the country-level data that we employ in our empirical analyses.

In line with a growing body of research that uses leader travel to measure foreign policy priorities, we use leader participation in the Belt and Road Forum as our metric of foreign interest in China's global economic leadership (Hall and Yarhi-Milo 2012, Holmes 2013, Horowitz, Stam, and Ellis 2015, Jost and Strange 2016, Kastner and Saudners 2012, Lebovic and Saunders 2016, McManus 2018). Our main argument is

[5] Interview of State Councilor Yang Jiechi with the People's Daily and China Daily, 17 April 2017. Available at http://www.beltandroadforum.org/english/n100/2017/0417/c25-195.html

[6] Since no official roster of ministerial and lower-level attendees was released, we used Google searches to identify and confirm our lists of ministers and lower officials. Canada sent Parliamentary Secretary Pamela Goldsmith-Jones, and Japan sent Secretary-General of the Liberal Democratic Party Toshihiro Nikai (arguably, not a "lower level" official). We discuss the U.S. delegation below.

[7] "China Focus: What to expect from Belt and Road Forum." *Xinhua*, 01 May 2017. Available at http://www.xinhuanet.com/english/2017-05/01/c_136248648.htm

that dissatisfaction with the international status quo plays an important role in generating foreign interest in China's global leadership. While we recognize that foreign leaders might be attracted to China for other economic or political reasons – infrastructure financing, trade and investment, geopolitical relations – we control for such factors in our analyses in order to focus on the grievances with the current economic order that might be pushing leaders closer to China. We identify three sources of dissatisfaction with the current U.S.-led order: (1) dissatisfaction with the international financial system, (2) dissatisfaction with the trade regime, and (3) dissatisfaction with the governance structures of the international financial institutions (IFIs).

For each of these sources of dissatisfaction, we identify specific *grievances* associated with the current order. In international finance – which the joint Communiqué mentions in several places – we argue that an important grievance is the instability associated with large and volatile capital flows. Since the 1980s, the U.S. Treasury Department and the IMF pushed for capital-market liberalization around the world, generating opposition and resentment from many developing countries (Stiglitz 2004). The removal of restrictions on short-term capital movements led to boom-and-bust capital-flow cycles that ended badly for many countries (Reinhart and Reinhart 2009). In addition, shocks emanating from changes in U.S. monetary policy have reverberated throughout the international financial system, affecting exchange rates, capital flows, stock markets, and commodity prices. A well-known example is the "taper tantrum" of 2013, which followed news that the Federal Reserve (Fed) was about to begin winding down its Quantitative Easing programs (Eichengreen and Gupta 2015). Emerging market nations in particular were hard hit by large capital outflows and asset-market selloffs as investors shifted to less risky U.S. Treasuries. Our priors are that many nations are angry about the volatility they experience due to unfettered capital flows and changes in U.S. policies, and that this may be pushing them to look to China for a new model of how to regulate international finance. We measure each nation's experience with international capital flows and financial crises to get a sense of how aggrieved the leadership of some nations might be with the current international financial order, and of the role of the United States in this order.

In international trade, we look for dissatisfaction with the United States for its frequent use of anti-dumping and countervailing duty (AD/CVD) trade barriers on imports from other nations. The joint communique referenced the need to "to promote a universal, rules-based, open, nondiscriminatory and equitable multilateral trading system with the WTO at its core."[8] We think this probably refers to the abuse of *trade remedies*, like AD/CVD, which hold an uncomfortable position in the WTO regime. Trade remedies are classified as "exceptions" to the principle of non-discrimination but the U.S. (and other large importing nations) have taken advantage of this loophole to make AD/CVD their preferred policy tool for restricting imports (Bown 2005). AD/CVD actions provoke opposition from affected nations and have become the single most important source of WTO trade disputes, accounting for 44% of all disputes since 1994.[9] We examine whether the leaders of nations that have lodged more complaints against the United States at the WTO are more likely to express interest in China's leadership by attending forum.

The governance structures of the IMF and World Bank have generated another grievance with the current international order. Although these institutions are not explicitly mentioned in the leaders' joint communique from the Belt and Forum, the document commits the signatories to "…help improve global economic governance, and ensure equal access by all to development opportunities and benefits." The communiqué repeatedly references the principle of equality – "consultation on an equal footing," "equality," "equal opportunities for all," "equal access by all" – which stands in stark contrast to the unequal voting rules of the IMF and World Bank. We infer from this language that leaders could have been expressing their displeasure about unequal representation in current multilateral institutions.

[8] See fn 18.

[9] Through September 2018, 249 of the 570 total disputes filed at the WTO involve AD/CVD. The United States has been the respondent, charged with violating WTO rules, in 96 (39%) of these 249 AD/CVD cases. No other single country comes close to the U.S. as a target of AD/CVD complaints. For example, the European Union has been the respondent in just 32 (13%) of all AD/CVD cases.
https://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm

The IMF and World Bank wield enormous power and influence but the leaders of emerging market economies, as well as the developing countries most affected by their policies, have long argued that they have too little voice within them. The United States, for its part, has hindered governance reform. After the IMF achieved a major governance reform in 2010, the U.S. Congress refused to pass implementing legislation for over five years, due to opposition from conservative Republicans who would not tolerate any diminution in U.S. influence. We examine whether leaders of nations that are underrepresented in the IMF and World Bank are more likely to support China's global leadership.

Overall, our findings suggest that grievances about international financial instability are strongly and consistently related to foreign interest in China's global initiative. We find that leaders from nations that experienced more financial crises, more volatile portfolio capital inflows, and more variable capital account policies, are more likely to show interest in China's global leadership than leaders from nations less affected by these forms of financial instability. We also find modest support for the claim that grievances about U.S. trade policy correlate with foreign interest in China's leadership: heads of state from nations that lodged more complaints against the U.S. at the WTO were more likely to attend the forum. But we find no evidence that grievances about global governance correlate with interest in Chinese leadership. Overall, this body of evidence is consistent with the interpretation that leaders have stronger personal incentives to care more about global financial instability than other types of international grievances. Financial shocks affect mass politics and regularly topple governments while grievances about multilateral governance and WTO disputes rarely, if ever, affect electoral outcomes.

The remainder of the paper is organized as follows. In the next section, we justify the use of leader attendance at the Belt and Road forum as a measure of foreign interest in China's global leadership. Section 3 develops our theory linking grievances with the current world order to leader interest in China's global leadership. In Section 4, we present our data, models and results and Section 5 concludes with implications for future research.

2. Measuring Foreign Interest in China's Global Economic Leadership

There are four reasons why we think leader participation in the Belt and Road Forum is a useful proxy for *foreign interest in China's global leadership*. First, the forum was China's first highest level diplomatic summit to focus on global economic cooperation since the United States began turning inward under President Trump. The forum was thus an opportunity for China to validate taking on the mantle of global economic leadership at a time when continued U.S. leadership was in doubt.[10] In line with this objective, China invited a full range of public and private actors with stakes in global economic cooperation to the summit: leaders of government, heads of international organizations, business and banking elites, academics, and the news media.[11]

Second, the BRI is a uniquely Chinese creation, inspired by China's ancient land and sea trade routes, which makes leader participation at the Belt and Road Forum a better measure than other metrics, such as membership in the AIIB.[12] By contrast, the AIIB was consciously designed in the image of the World Bank. Since the BRI is less beholden to the current international order than the AIIB, attending the forum represents a clearer signal of China's global leadership than joining the AIIB. By the same token, the BRI relies on bilateralism to promote economic cooperation between China and individual partnering nations, whereas the AIIB is a multilateral institution. This distinction is important because multilateral governance allows foreign nations to have influence over the AIIB, which can obscure motivations for partnering with China. For example, some nations may be participating in the AIIB, not because they

---

[10] Perlez, Jane and Keith Bradsher. "Xi Jinping Positions China at Center of New Economic Order." *New York Times* 14 May 2017.

[11] In regard to the invitation process, Foreign Minister Wang Yi said, "We have considered both universality and representativeness when sending invitations." ("加强国际合作，实现共赢发展" Strengthening International Cooperation, Achieving Win-Win Development) (Foreign Ministry of China Website) Available at https://www.fmprc.gov.cn/web/wjbz_673089/zyhd_673091/t1454490.shtml; See also State Councilor Yang Jiechi's interview with the People's Daily and China Daily, 17 April 2017. Available at http://www.beltandroadforum.org/english/n100/2017/0417/c25-195.html.

[12] The full text of China's action plan for the Belt and Road Initiative is at http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm

support China's global leadership, but because they want a "seat at the table" so as to sway China to incorporate their own (status quo) global objectives.[13]

The third reason we like forum participation as a measure of foreign interest in China's global leadership is that political considerations played an important role in leaders' decision to attend. The Chinese government, which had been planning the forum for months, heavily promoted it in state news media.[14] Seeking international validation of its leadership ambitions, Chinese officials invited Western countries and American allies to send their highest leaders, but the leaders of most major Western countries did not participate or sent lower level officials.[15] Italy was the only member of the Group of Seven (G7) to send its leader, Prime Minister Paolo Gentiloni. Some reports suggest that the domestic policies of certain participating states – such as Russia and the Philippines – may have contributed to the reluctance of Western leaders to participate.[16]

Politics shaped attendance in other ways as well. The Trump Administration initially planned to boycott the event due to concerns about China's rising power and trade issues but, at the last minute, sent a security-oriented delegation headed by Matt Pottinger, National Security Council senior director for Asia.[17] Prime Minister Theresa May, despite media reports suggesting she was likely to attend, did not participate. Instead, Finance Minister Philip Hammond was sent to represent the United Kingdom. Germany and France also sent high level envoys, rather than their

[13] The AIIB now has 80 members, including 20 that are either European or are generally aligned with the European position. These include staunch U.S. allies like the United Kingdom, France, and Germany. Given its governance rules, the AIIB's success in attracting European members has led it to incorporate policies, such as its new Environmental and Social Framework, that are favored in Europe and mirrored by the World Bank.

[14] Perlez, Jane and Keith Bradsher. "Xi Jinping Positions China at Center of New Economic Order." *New York Times* 14 May 2017.

[15] In regard to the invitation process, Foreign Minister Wang Yi said, "We have considered both universality and representativeness as much as possible when sending invitations." ("加强国际合作，实现共赢发展" 'Strengthening International Cooperation, Achieving Win-Win Development')(Foreign Ministry of China Website), available at:https://www.fmprc.gov.cn/web/wjbz_673089/zyhd_673091/t1454490.shtml

[16] "Most major Western leaders to skip China's New Silk Road summit." *Reuters* 17 April 2017.

[17] Wanxia, Lin. "US Decides to Send Delegation to China's Obor Summit." *Asia Times* 12 May 2017

top leaders, citing upcoming elections as the basis of this decision.[18] Prime Minister Narendra Modi of India boycotted the forum out of concern for the growing infusion of BRI money into its rival, Pakistan.[19] Prime Minister Nawaz Sharif of Pakistan, for his part, said in remarks at the forum that he was proud to stand "shoulder to shoulder with our close friend and trusted ally, China, and the other world leaders present here."[20]

The decision to attend the forum was clearly conditioned by existing political relationships. Yet despite disagreeing with the domestic policies (e.g., human rights) of other forum participants, Argentina, Chile, Greece, Italy, Spain and Switzerland still sent heads of state to the summit. And leaders from countries with ongoing geopolitical disputes with China – Indonesia, Malaysia, Philippines and Vietnam – also attended. For these leaders, participating in the forum was costly, which suggests that it is a good proxy for foreign interest for China's global leadership.

The final reason we like this indicator is that the leaders that attended the forum put their imprimatur on a joint communiqué with China on global economic cooperation.[21] The joint communiqué was the product of a day-long leaders' roundtable, chaired by President Xi, with participation by all attending heads of state, as well as heads of the UN, World Bank, and IMF. We ascertained that China invited representatives from countries and organizations attending the leaders' roundtable to participate in the preparatory work of the joint communiqué.[22] The final document itself is a grand vision statement on global economic cooperation rather than a set of

---

[18] According to Foreign Minister Wang Yi, "They have explained to us many times, France has elections in May, as does Germany about then, so their leaders originally were really willing to attend. This is not a platitude, it's the real information we got." Quoted in "Most major Western leaders to skip China's New Silk Road summit." *Reuters* 17 April 2017.

[19] India's official response is available at https://www.mea.gov.in/media-briefings.htm?dtl/28463/Official_Spokespersons_response_to_a_query_on_participation_of_India_in_OBORBRI_Forum

[20] Statement at the Plenary by His Excellency Mr. Muhammad Nawaz Sharif, the Prime Minister of the Islamic Republic of Pakistan. Available at http://cpec.gov.pk/news/54

[21] The *Joint Communiqué of the Leaders Roundtable of the Belt and Road Forum for International Cooperation* is available at http://www.beltandroadforum.org/english/n100/2017/0516/c22-423.html

[22] According to Yang Jiechi, Chinese State Councilor and former Foreign Minister, "each result in the list is the crystallization of wide consultation and joint contribution." CCTV interview, 17 May 2017. http://tv.cctv.com/2017/05/17/VIDEluw7bIqKt4WyXCncTQmo170517.shtml

specific action items. It motivates the need for cooperation by listing major problems in the current world order, such as "eradicating poverty, creating jobs, addressing the consequences of international financial crises, promoting sustainable development, and advancing market-based industrial transformation and economic diversification." It reaffirms a shared commitment to "build an open economy, ensure free and inclusive trade, and oppose all forms of protectionism." It also pledges signatories "to promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system with WTO at its core." Since President Xi was first among equals at the leaders' roundtable, and since China played the largest role in crafting the document, we think that by approving the joint communiqué, foreign leaders were indicating their interest in China's global economic leadership.

All four reasons suggest that leader participation in the Belt and Road Forum is reasonably good proxy for foreign interest in China's global economic leadership. This metric reflects a behavioral choice in which foreign leaders had to weigh the benefits and costs of helping China validate Xi Jinping's global economic leadership. Since the BRI is a bilateral project unique to China, forum attendance also provides a clearer signal of foreign interest in China's leadership than participation in China's other global initiative, the AIIB.

3. Theoretical Discussion

Our argument is that dissatisfaction with the existing world order has encouraged foreign leaders to embrace China's global economic leadership. In existing analytical accounts of global institutions, *dissatisfaction* with the status quo is the motor that drives international change. Morse and Keohane (2014, 385) argue that challenges to existing global orders "…occur when coalitions dissatisfied with existing institutions combine threats of exit, voice, and the creation of alternative institutions to pursue policies and practices different from those of existing institutions." Similarly, Lipscy (2017, 2015) analyzes the tactics of disgruntled states, upset with the status quo, as they push for changes in global institutions that would better serve their interests. While studies such as these focus on the efforts of dissatisfied nations to change global institutions, we are interested in identifying the grievances that give rise to such efforts in the first place.

The existing literature offers little guidance on this topic. We found little scholarly work that systematically analyzes the factors that generate dissatisfaction with global institutions. However, specialty literatures on volatile capital flows, global financial cycles, international trade, and governance of the IFIs provide a sense of the controversial issues. We begin with grievances in international finance.

3a. Grievances in International Finance

The increase in financial globalization that began in the late 1980s is linked to pressure from the U.S. and the IMF to reduce restrictions on short-term capital flows. According to Stiglitz (2004), whose critical views have been echoed by developing-country elites, there is a close connection between the rush to liberalize restrictions on the capital account and economic crises. While the relationship is conditioned by domestic institutions and policies, such as deep and well-supervised domestic financial markets, it is true that capital account liberalization carries a higher risk of crises (Kose, et al 2009).[23] Since the 1990s, financial crises in Mexico, East Asia, Russia, Ecuador, Turkey, Argentina Uruguay – as well as the Global Financial Crisis and the Eurozone Crisis – are all cases of boom-bust capital flows that ended in crisis (Chinn and Frieden 2011). In some cases, appropriate regulations were not in place when liberalization began, resulting in capital inflow surges that destabilized local economies. In other cases, governments let macroeconomic conditions deteriorate, resulting in speculative attacks (capital-flow reversals) from both domestic and foreign investors. The broader point is that capital account openness intensifies a country's vulnerability to crises. Moreover, international market imperfections, such as herding, panics, and global financial cycles can lead to crises and contagion even in countries with good economic fundamentals.

[23] Recently, the IMF adopted a "new institutional view" acknowledging that the risks of capital flows depend on the institutional framework in each country. The relevant institutions include the exchange rate regime, the degree of dollarization, the credibility of the central bank, and the independence and quality of financial regulation (International Monetary Fund 2012).

We argue that grievances about international finance stem, in part, from the series of financial crises that have occurred under the U.S.-led order. Financial crises have hit many emerging markets and developed economies in recent years, and the common feature across all cases was the embrace of financial globalization (Rogoff and Reinhart 2009, Copelovitch et. al. 2016, Chinn and Frieden 2011). We think that an important consequence of financial crises is that they generate dissatisfaction with the status quo among political elites in the affected nations.

Financial crises are devastating economic events that bring sharp political costs to incumbent politicians and governing coalitions. Nations that experience financial crises suffer longer and deeper recessions than nations that don't, and the recoveries that follow a crisis take longer than normal (Reinhart and Rogoff 2014, Jordà, Schularick, and Taylor 2013). Given the strong connection between domestic economic conditions and election outcomes, political leaders typically pay the price for presiding over a financial crisis. For example, Bartels (2013) finds that leaders of every political stripe were punished in the elections that followed the GFC, in a manner consistent with the retrospective economic voting model. Broader evidence suggests that, after a financial crisis, government majorities shrink, parliaments become more polarized, and policymaking becomes gridlocked (Mian et al 2014). In addition, right-wing extremist parties gain seats and there are more general strikes, violent riots, and anti-government demonstrations after a crisis (Funke et al 2016). In short, financial crises generate substantial domestic political and social turmoil that directly threatens the tenure of sitting governments.

We argue that the high political costs of financial crises give leaders a personal motivation to both question the U.S.-led financial order and to seek out information about what China is planning with respect to its global initiatives. China's brand of leadership might be particularly interesting to leaders of nations that have been racked by financial instability. Regulating capital flows has been a cornerstone of China's policy for decades and has helped China avoid financial crises. Most observers credit the policy for insulating China from the East Asian Crisis and the GFC despite domestic conditions that would otherwise give rise to contagion (Chen and Kang 2018, Lardy and Douglas 2011, Borst and Lardy 2015, Lardy 1998).

China's restrictive capital account policies also help its planners maintain exchange rate stability and domestic monetary policy autonomy, in line with the constraints of the open-economy "Trilemma." The Trilemma represents a binding trade-off between three policy objectives: a country cannot simultaneously target the exchange rate, conduct an independent monetary policy, and have full financial integration at the same time. China is unique among large economies for giving priority to exchange-rate stability and monetary autonomy over capital account openness. According to Aizenman and Sengupta's (2013) evidence, capital account openness does not seem to be given any importance by China's policymakers. Furthermore, empirical studies measuring capital account restrictions find that China's controls are highly restrictive, even in comparison with other emerging markets such as Brazil and Russia (Chinn and Ito 2007).[24] In short, China's brand of global leadership is likely to be distinguished by reticence to liberalize the capital account.

China reinforces the argument that it has a better financial model to offer its followers. During the GFC, Premier Wen Jiabao gave a speech at the 2009 World Economic Forum in Davos condemning the West for its "unsustainable model of development characterized by…excessive expansion of financial institutions in a blind pursuit of profit; …and the failure of financial supervision and regulation to keep up with financial innovation…"[25] Experts like economist John Williamson, who coined the term "Washington Consensus," also think the GFC helped to fortify the "Beijing Consensus" at the expense of the U.S.-led order (Williamson 2012, Naughton 2012). Our argument is similar in that we expect financial instability under the current order to motivate leaders to seek out China's global initiatives.

This conjecture is plausible since China maintains that relief from international financial instability is one of the ancillary benefits of BRI participation. In a section of the official BRI Action Plan titled "Financial Integration," China acknowledges that it

[24] The updated Chinn-Ito index measuring a country's degree of capital account openness shows that China's score of -1.19 – which is the lowest of all major economies and the polar opposite of the U.S. – did not change between 1993 and 2015. Data from http://web.pdx.edu/~ito/Chinn-Ito_website.htm (accessed 12 July 2018).
[25] The full text of the speech is available at http://www.china-un.org/eng/gdxw/t534434.htm

supports rigorous government regulation of cross-border financial flows and aims to limit participants' exposure to external financial shocks:

> We should strengthen financial regulation cooperation, encourage the signing of MOUs on cooperation in bilateral financial regulation, and establish an efficient regulation coordination mechanism in the region. We should improve the system of risk response and crisis management, build a regional financial risk early-warning system, and create an exchange and cooperation mechanism of addressing cross-border risks and crisis. We should increase cross-border exchange and cooperation between credit investigation regulators, credit investigation institutions and credit rating institutions.[26]

President Xi also echoed this pro-regulation position in his keynote speech at the opening of the forum:

> Finance is the lifeblood of modern economy. Only when the blood circulates smoothly can one grow. We should establish a stable and sustainable financial safeguard system that keeps risks under control, create new models of investment and financing, encourage greater cooperation between government and private capital and build a diversified financing system and a multi-tiered capital market.[27]

In their joint communiqué from the Belt and Road Forum, foreign leaders joined President Xi in singling out financial instability as one of the core problems of the current international system. Here they confirmed a commitment to:

> Contributing to a stable and equitable international financial system; promoting openness and connectivity among financial markets, including through mutual cooperation on payment systems and the promotion of financial inclusion; encouraging financial institutions to establish commercial presence in relevant countries and regions; promoting bilateral local currency settlement and

[26] "Action Plan on the Belt and Road Initiative." Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization, on 28 March 2015. Full text is available at: http://english.gov.cn/archive/publications/2015/03/30/content_281475080249035.htm

[27] Speech by Xi Jinping, President of the People's Republic of China, At the Opening Ceremony of The Belt and Road Forum for International Cooperation, 14 May 2017. his full text of the speech is available at http://www.xinhuanet.com/english/2017-05/14/c_136282982.htm

> cooperation agreements, and facilitating the development of local currency bonds and stock markets; encouraging dialogue to enhance financial cooperation and fend off financial risks.[28]

The reference to "bilateral currency settlement and cooperation agreements" is to the currency swap agreements that the People's Bank of China (PBoC) has signed with a growing number of foreign central banks since 2008 (McDowell 2018a). Central bank swap agreements became a key part of the global financial architecture during Global Financial Crisis when the Federal Reserve and a few other core central banks used them to deal with international liquidity shocks (di Mauro and Zettelmeyer 2017, Henning 2016, Truman 2013). While the advanced-country swap agreements that arose during the crisis were limited to the world's leading central banks, the PBoC has established a larger and more heterogeneous swap network, involving 37 central banks and monetary authorities across six continents (Liao and McDowell 2015). This network is arguably one of China's most important global initiatives, along with the AIIB and the BRI, and can be understood as China's main approach to enhancing global financial cooperation (Destais 2016). McDowell (2018b) views the PBoC's swap network as a form of "financial statecraft" in which Beijing is using swaps to promote the use of the renminbi as a trade invoicing and settlement currency and to provide "a short-term liquidity backstop outside of the Bretton Woods institutions for partner countries in need."

We infer that forum participants were well aware that China is building a network of central bank partnerships and thereby contributing to the world's financial safety net. In fact, 15 of the 29 nations that sent leaders to Belt and Road Forum had central bank swap agreements with the PBoC by the time of the forum.[29]

A related problem in the current order is that U.S. monetary policies spillover to the global economy and cause "global financial cycles" in capital flows, credit growth,

---

[28] The Joint Communiqué is available at http://www.beltandroadforum.org/english/n100/2017/0516/c22-423.html

[29] The 15 nations with PBoC swap lines that sent leaders to the forum are: Argentina, Belarus, Chile, Hungary, Indonesia, Kazakhstan, Malaysia, Mongolia, Pakistan, Russia, Serbia, Sri Lanka, Switzerland, Turkey, and Uzbekistan.

leverage, and asset prices (Rey 2015, 2016). Observers point to the *taper tantrum* in 2013 as illustrating how monetary tightening by the Fed can have sharp negative effects on global financial stability (Eichengreen and Gupta 2015). Anticipation that the Fed was about to unwind its Quantitative Easing (QE) programs caused large capital outflows and market volatility in emerging markets, and led to complaints about U.S. monetary policy (Bernanke 2016). The broader concern is about the external effects of U.S. policies and applies to any significant U.S. monetary policy change, including easing as well as tightening.[30]

Emerging markets in particular are affected by the global financial cycle. They experience large capital inflows during *risk-on* periods, when market volatility and risk premiums are low, and sharp capital outflows during *risk-off* periods. Moreover, a number of scholars have found that global financial cycles are correlated with monetary policy in the U.S. (Rey 2015, Miranda-Agrippino and Rey 2015, Bruno and Shin 2015). Specifically, monetary easing by the Fed tends to be followed by lower volatility and reduced risk-aversion worldwide, while Fed interest-rate hikes are associated with higher global market volatility and increased risk-aversion.

Fed tightening arguably poses the greater challenge. When the Fed raises interest rates, as it has done steadily since late-2016, investors sell off their holdings of risky foreign assets in order to purchase risk-free U.S. government securities. As capital flows to the U.S., the dollar appreciates while emerging-market currencies depreciate, making it more costly for them to service and refinance their dollar-denominated foreign debts. With debt crises looming, emerging-market policymakers face few options other than to follow the Fed's monetary tightening with tightening of their own, raising domestic interest rates to stem the capital outflow.[31]

This tendency for U.S. policy to spill over and affect monetary policy in other countries – even those with floating exchange rates – has led Rey (2015, 21) to conclude that the trilemma of classical economic theory has morphed into a dilemma

[30] On the easing front, some leaders of EMEs, such as Brazil's Finance Minister, Guido Mantega, accused the Fed of engaging in "currency wars" when it began its QE program. *Financial Times*, 27 September 2010 https://www.ft.com/content/33ff9624-ca48-11df-a860-00144feab49a

[31] The last time the Fed embarked on an interest-rate tightening cycle from 2004 to 2006, central banks in leading emerging markets like Brazil, India, Indonesia and Malaysia all followed suit.

or "Irreconcilable Duo" where "independent monetary policies are possible if and only if the capital account is managed, directly or indirectly, regardless of the exchange-rate regime."

As discussed above, China uses capital and exchange controls to manage the trilemma-qua-dilemma, which sets it apart from the leadership of the current order. This distinguishing feature of China's globalization strategy may be attractive to nations that removed capital controls under the U.S.-led order only to be buffeted by external financial shocks. Furthermore, emerging-market leaders may find it particularly egregious that the Fed is under no obligation to give consideration to how its policies affect other nations. Officials from these nations have been complaining that Fed tightening is leading to large depreciations in their currencies and in their stock and bond prices. But Fed policymakers do not seem particularly worried about the spillovers of its policies. In a widely-reported recent speech, Fed Chairman Jerome Powell sanguinely predicted that "the normalization of monetary policies in the advanced countries should prove to be manageable for the emerging markets."[32] Powell indicated that foreign spillovers will have no impact on Fed decision-making, but that Fed officials will "communicate our policy strategy as clearly and transparently as possible to help align expectations and avoid market disruptions."[33] This promise of transparency is unlikely to provide much comfort to foreign leaders whose economies are subject to U.S. shocks.

We proxy for financial grievances with three alternative (correlated) measures of financial instability. The first is a nation's history of major financial crises since 1990. Our prediction is that the leaders of countries that have suffered more financial crises since the onset of financial globalization in about 1990 will be more likely to be interested in China's global leadership and attend the forum. A strength of this measure is that we have data for most countries. A weakness is that financial crises have partly domestic origins, such as lax bank regulation in the context of deposit

[32] "Monetary Policy Influences on Global Financial Conditions and International Capital Flows." Panel remarks by Jerome H. Powell Chairman Board of Governors of the Federal Reserve System at the "Challenges for Monetary Policy and the GFSN in an Evolving Global Economy" Conference. Zurich, Switzerland 8 May 2018.

[33] Ibid.

insurance, creating a moral hazard. Since crises can be home grown as well as imported, we also gather data on the volatility of short-term capital inflows, specifically portfolio (debt and equity) inflows.[34] We measure the average volatility of net portfolio inflows into a given country between 1990 and 2016, which is a direct measure of external financial instability. Unfortunately, data are available for only 93 countries.

Our third measure of financial grievances examines the variability of capital account restrictions imposed by the government. This is our preferred measure because the variability of capital control *policy* reveals problems a nation has had with global finance. To illustrate, consider **Figure 1**, which plots the Chinn-Ito index of capital account openness for three countries: Argentina, Canada, and India. In contrast to Canada, which maintained capital account openness since 1990, and India, which placed heavy restrictions on capital flows throughout the period, Argentina's policy has fluctuated widely. Having liberalized capital flows by 1997, Argentina experienced a surge in inflows, followed by a surge in outflows, and then re-imposed strict controls in 2001. The "Corralito" (little bullpen) that limited bank withdrawals and restricted dollar transfers and loans is an infamous example of this policy reversal. After 2001, Argentine authorities moved cautiously toward liberalization, but retrenched again in the face of another surge in outflows. Since 2012, Argentina has maintained stringent capital controls.

A highly variable capital account policy, as with Argentina, indicates that a nation has had major problems with global finance. By the same token, policy stability, as in the case of both Canada and India, suggests a more benign relationship with foreign finance. A strength of measuring financial instability by way of policy instability is that it can reveal external financial pressures that fall short of producing a financial crisis. Not only does this measure accurately reveal *policy* reversals that

[34] There are several reasons why FDI should not be considered as a source of financial "grievance." FDI is long-term in nature and tends to be associated with increased domestic investment and growth. FDI is less volatile and more persistent than non-FDI inflows. It is also more resilient during financial crises and thereby contributes to the economic stability of the host country.

are driven by volatile capital flows, data on capital account restrictions are available for most countries.[35]

The global financial system is the weakest and most problematic area of the current global order, generating terrible crises on a regular basis. Our three measures of financial instability allow us to gauge the extent to which interest in China's leadership stems from problems in global finance. But even though finance is the most problematic area of the current global order, other grievances exist.

3b. Grievances in International Trade

Another grievance involves the WTO trade regime, where large importing nations like the U.S. have made frequent use of the exception for anti-dumping and countervailing duties to protect domestic industries from foreign competition. The WTO operates on the principle of *non-discrimination*, meaning that countries cannot normally discriminate between their trading partners, nor can they discriminate between imported and domestically-produced goods. But *trade remedies* like antidumping duties and countervailing duties are the exceptions that test the rule because they allow nations to raise tariffs on specific imports from specific countries.[36] Trade remedies are authorized under international trade law but they violate the spirit of the WTO. While scholars argue that trade remedies function as "safety valves" to relieve the domestic political pressure of complying with WTO tariff commitments (Mansfield, Milner, and Rosendorff 2002), the use of AD/CVD has grown over time in ways that suggest they are substitutes for tariffs (Pelc 2011, Moore and Zanardi 2011).

The substitution of trade remedies for tariffs is the uncomfortable paradox of the current trade regime and it is driven by one particular policy instrument – antidumping (Bown 2011, Zanardi 2004). Since the 1990s, the U.S. has been the largest (ab)user of antidumping (AD), although developing countries like India have

[35] We use the Chinn-Ito index, which is available for nearly all countries in our sample.

[36] Antidumping duties are imposed on imports that are sold at "less than fair value," as determined by a domestic political process in the importing country. Countervailing duties are imposed on imports that benefit from subsidies conferred by foreign governments and injure a domestic industry of the importing country.

recently expanded their use. The U.S. has antidumping duties on "thousands of companies, on hundreds of separate products, and on more than 50 different WTO members" (Bown and Prusa 2010, 5). The main targets are developing-country products, which is no surprise since exports from emerging market economies have expanded rapidly since the 1990s. Over 60 percent of the products covered by U.S. AD orders between 2006 and 2009 were on exports from developing countries, with goods from China accounting for about one third of this total (Bown and Prusa 2010).

Developing nations thus have the most to gain from reining in the use of trade remedies. However, the U.S., under pressure from domestic producer interests, has resisted efforts to restrict their usage. The U.S. tried to keep antidumping off the Doha Round agenda after Congress passed a resolution instructing the President to "preserve the ability of the United States to rigorously enforce its trade law" (cited in Zanardi 2004, 404). Such resistance to adjust global trade rules to accommodate the interests of aggrieved nations can be a source of resentment – especially if the U.S. makes little effort to moderate its AD use on its own.

Suggestive evidence indicates little self-restraint on the part of the United States. In 2015, 43 AD investigations were initiated in the U.S. – more than double the number initiated during the GFC (Bown 2016). Trade lawyers think this increase is related to the passage of the Trade Preferences Extension Act of 2015 (aka the "Trade Remedies Bill"), which made it significantly easier for the U.S. to find that imports have caused material injury to a domestic industry. Material injury is a prerequisite for an AD action, but the new law loosens this constraint by prohibiting a "no injury" finding merely because an industry is profitable or because the performance of an industry has improved.[37] The law also expands the factors that qualify as injury, including an industry's ability to service debt. In short, by lowering threshold requirements for U.S. industries to bring trade remedy cases against foreign competitors, the law is likely to expand usage of AD by the United States.

Foreign exporters that have long resented discriminatory U.S. trade practices (Bown and Prusa 2010). The Trump Administration has provided further cause for

[37] Public Law No: 114-27, Sec. 503.

concern by, among other things, issuing an executive order that enhances the enforcement of trade remedy violations.[38] By making it easier to enforce AD/CVD rulings, the presidential order will encourage more use of trade remedies by the U.S., beyond the inducements already provided by Congress in the Trade Preferences Extension Act of 2015. When the U.S. uses trade remedies excessively, it generates resentment in other nations. We argue that this resentment may push some nations into closer relations with China. Specifically, we argue that foreign nations that have mounted cases against the U.S. at the WTO are more likely to be interested in China's global initiatives than nations that have been less affected by U.S. trade barriers.

We think this grievance played a role in leaders' decisions to attend the Belt and Road Forum and thereby demonstrate interest in China's economic leadership. While we cannot judge the relative importance of this motivation, we can show that some leaders attending the forum were aware of the issue. For example, President of Russia Vladimir Putin said in remarks at the forum that "Protectionism is becoming a common practice that manifests itself in unilateral illegitimate restrictions, including how technology is supplied and distributed. The ideas of openness, freedom of trade are often rejected even by those who supported them so vigorously in the past."[39]

3c. Grievances about Governance

The governance of the IMF and the World Bank is based on a rule that links financial contributions from member governments to voting power. Unlike organizations with one-member, one-vote constitutions, voting power in the IFIs is tied to contributions which are, in turn, based upon a member's relative economic position in the world: larger and richer countries provide more resources and have more influence than smaller, poorer members.

This voting rule creates a cleavage between industrial country creditors and developing country borrowers in the IFIs. Large creditors, like the U.S., provide the

[38] The Order is available at https://www.whitehouse.gov/presidential-actions/presidential-executive-order-establishing-enhanced-collection-enforcement-antidumping-countervailing-duties-violations-trade-customs-laws/

[39] The full text of Putin's speech at the forum is available at http://en.kremlin.ru/events/president/news/54491

bulk of IFI financial resources but rarely make use of their lending facilities – they are net creditors. By contrast, developing countries draw upon the IFIs for financial assistance yet provide only a small share of their resources – they are net borrowers – which makes them subject to IMF and World Bank policy conditionality. This creates tensions around governance because rich-country creditors have different interests than developing-country borrowers, particularly around conditionality. To simplify, developing countries favor less conditionality since they are more dependent on the IFIs for payments financing and development assistance. Industrial country creditors generally favor increased conditionality and surveillance since they fund IFI lending, have access to private credit markets to finance their own deficits, and do not rely on the IFI for development loans. Developing countries make up about 85 percent of the total IFI membership and believe they have an inappropriately small voice within these organizations.

This conflict plays out in challenges to IFI governance (Lipscy 2015). Developing countries argue that there is "democratic deficit" that undermines the legitimacy of the IFIs and their conditional lending programs because the interests of debtor countries are not adequately represented in policymaking (Buria 2006). They also complain that the vote shares of emerging market countries in the IFIs have not kept pace with these nations' rapidly rising share of global output and trade.

Critics are right to complain about the failure of vote shares to keep pace with changes in the distribution of global output and trade. In principal, each country's vote share is supposed to reflect the relative size of its economy, based on formulas that weigh various measures of output and trade. But these formulas were "spurious" from the start and deviations, reflecting political considerations, are common (Bird and Rowlands 2006, 155). One needs look no further than the cases of France and the United Kingdom to see the geopolitics in this: their vote shares in the IFIs have been exactly equal at 4.04 percent since 1992.

The process of redistributing votes requires broad support among IFI members because a supermajority of 85 percent of the votes is required to approve these changes. With about 17 percent of the total votes, the U.S. is the pivotal actor on governance reform. But *within* the U.S., the Congress plays an outsized role because it must formally ratify any change in U.S. contributions to the IFIs (Nelson and Weiss 2015). Since any redistribution of vote shares requires changes in member contributions, the Congress effectively holds veto power over governance reform (Broz 2006, 2008, 2011). No matter how intensely IFI members feel about the need for redistributing vote shares, opposition by the U.S. Congress alone can block any adjustment.

Opposition to the IFIs has grown steadily in Congress since 1944, particularly in the House of Representatives (Broz 2008). The most recent manifestation of this opposition occurred in 2010, when right-wing Representatives refused to consider legislation implementing the IMF's 2010 Quota and Governance Reforms (Truman 2014). These reforms were the result of negotiations between IMF members to give more voting power to emerging market and developing economies. President Barak Obama, the Secretary of the Treasury, and the U.S. Executive Director to the IMF all supported the reforms. But Republican representatives, long opposed to the IMF on the grounds that its loans encourage moral hazard (Lavelle 2011), would not take up the implementing legislation because they were unwilling to accept any decrease in the relative influence of the U.S. As a result, the IMF's 2010 governance reforms languished for over five years, a delay that "cost the U.S. dearly in terms of its credibility and global leadership."[40] When Congress finally approved the legislation in December 2015, it did so as part of a complicated log-roll.[41]

Analysts draw connections between China's global initiatives and the obstinacy of the U.S. Congress to allow governance reform. For example, Ben Bernanke, former Chairman of the Fed, said that Beijing was pushed into launching the AIIB by U.S. legislators' refusal to give China greater clout in existing multilateral institutions.[42]

---

[40] Former Assistant Secretary of the US Treasury for International Affairs Edwin Truman, quoted in Ian Tangly. 2016. "How Congress Finally Passed IMF Governance Overhauls, Five Years After the Deal Was Signed." *Wall Street Journal* (January 4).

[41] Ibid.

[42] "US Congress pushed China into launching AIIB, says Bernanke." *The Financial Times.* June 2, 2015. Available at https://www.ft.com/content/cb28200c-0904-11e5-b643-00144feabdc0

Our argument is that the delay sent the signal that the U.S. was not serious about governance reform. The U.S. was the final holdout preventing adoption of the 2010 reforms and this caused resentment in nations aggrieved about their lack of voice in the IFIs.

We expect that resentment about global governance will increase the likelihood that a nation shows interest in China's international initiatives. As Prime Minister Muhammad Nawaz Sharif of Pakistan noted in his speech at the Belt and Road Forum, "It [the BRI] will accelerate economic growth in developing countries; yield dividends for international investors; and tear down barriers to trade and commerce. Even more importantly, it will help repair and reform global economic governance."[43]

Our specific argument is that leaders of nations with vote shares in the IFIs that are lower than their economies' shares of the global economy will be more likely to support China's initiatives than leaders of nations without such deficits. In other words, we think governance grievances are fundamentally about the highly political ("spurious") process that prevents emerging market and developing nations from having a level of influence that is commensurate with their economic position in the world.

In addition to governance issues, nations also harbor resentment about IFI interventions that follow the onset of a crisis. When a crisis prevents a nation from borrowing in private markets to fund its external deficits, the IMF stands ready to provide emergency loans. However, the IMF imposes policy conditions on the borrowing nation before it disburses its loans, and this *conditionality* has been a frequent source of conflict with borrowers.[44] In East Asia, dissatisfaction with the IMF's role in the region's 1997-98 crisis was so intense that it spurred efforts to create alternatives to the IMF, such as reserve hoarding and regional foreign reserve-pooling arrangements like the Chiang Mai Initiative (Ito 2007, 2012; Henning 2002). We examine whether the number of conditions imposed by the IMF on a nation is a

---

[43] The full text of Nawaz Sharif's speech is available at http://www.pmo.gov.pk/pm_speech_details.php?speech_id=86

[44] *Conditionality* refers to the set of policy and institutional changes that the IMF requires before it disburses loans to a recipient nation. Such conditions can be highly controversial, such as when the IMF requires austerity or the privatization of public services.

grievance that is associated with leader interest in China's global initiatives.

Over all, we have identified three sets of grievances that may make China's global initiatives more appealing to leaders of other nations. In the next section, we connect these arguments to the data, describe our research design and empirical models, and present results.

4. Data, Empirical Models, and Results

To test our arguments, we first need to devise a measure of *foreign interest in China's leadership*. We use an observable behavioral indicator: foreign attendance at China's Belt and Road Forum on 14-15 May 2017. Twenty-nine heads of state and government, 56 cabinet ministers, and six lower-level officials attended. We construct two measures of our dependent variable from the forum's attendance roster given in **Appendix Table A1**. The first is a binary indicator variable, ATTENDANCE, for whether a nation's head of state (president or prime minister) attended the forum or not. The second is ORDERED ATTENDANCE, a three-category ordinal variable where head of state attendance is coded as a 2, minister attendance as a 1 and lower-level official or non-attending as a 0.[45]

Our priors are that chief executives convey interest and support when they travel to Beijing for the forum and shake hands publically with President Xi. By contrast, we think cabinet minister travel is less informative of a nation's foreign policy interests. While the personal reputations of ministers are connected to the reputations of heads of state, chief executives can distance themselves from members of their cabinets when needed. This implies that minister travel conveys less information about a nation's foreign interests. Nevertheless, for robustness, we also fit our models with a three-category ordered dependent variable that gives minister travel more importance than sending a lower-level official or not attending.

To illustrate this coding, **Table 1** groups countries by their attendance status –

[45] There are two reasons why we group nations that sent lower-level officials together with non-attending nations. First, only six nations sent lower officials, so the category is too small to allow valid inference. Second, sending a lower official when other nations are sending heads of state and cabinet ministers may be considered an insult of diplomatic protocol and therefore conveys the opposite of "interest in China's leadership."

head of state, minister, lower level official or not attending – and provides summary information of our main covariates, which we describe in more detail below. There are important differences that stand out across these three groups. For example, OBOR, indicating whether a nation is geographically positioned along *One Belt, One Road* trade routes, has a high correlation with attendance by heads of state and ministers. This is intuitive and confirms the fact that the BRI is motivated primarily to expand trade and investment along China's planned trade routes. We think of OBOR as a control variable for the economic benefits that *pull* nations closer to China.

But **Table 1** also provides summary evidence that grievances have *pushed* nations toward China. For heads of state, average values for our financial grievance measures are larger than those of the other two groups, no matter which indicator we use: financial crises, volatility of net portfolio inflows, or variability of capital account policy. For example, the volatility of net portfolio inflows for nations that sent heads of state to the Forum is nearly four times higher (0.38) on average than it is for nations that sent ministers (0.10), and nations that sent lower officials or did not attend (0.10). Of course, these correlations are merely suggestive. To get a more accurate sense of these relationships, we turn to multivariate analysis.

To fit our binary dependent variable, ATTENDENCE, we employ a probit model; we use an ordered probit model to fit our three-category dependent variable. Since the forum was a one-time event, all our models are cross-sections. We specify the form of our models as follows:

$$\text{ATTENDANCE}_i = \alpha + Grievances_i' \beta_1 + Controls_i' \beta_2 + \varepsilon_i \qquad (1)$$

where ATTENDANCE is the dependent variable; the subscript letter i is cross-section id, i=1, 2, …,192; α is the constant; β_1 is a vector of parameters to be estimated for *Grievances*, our key independent variables; while β_2 is a vector of coefficients to be estimated for a set of control variables; and ε_i is the error term which we assume to follow a normal distribution.

As for our alternate dependent variable, ORDERED ATTENDANCE, the estimation model depends on a latent variable Y^* which is a function of a set of determinants of leadership travel choice. We assume that a nation makes a specific choice of whether to send a head of state, cabinet minister, lower official or no one if the latent variable falls below, within or above certain thresholds C_1 and C_2 as follows:

$$ORDERED\ ATTENDANCE_i = \begin{cases} 0, if\ Y_i^* < C_1 \\ 1, if\ C_1 < Y_i^* < C_2 \\ 2, if\ Y_i^* > C_2 \end{cases} \qquad (2)$$

with $C_1 < C_2$. The values of C_1 and C_2 are to be estimated together with the other parameters of the model, which takes the form as follows:

$$Y_i^* = C + Grievances_i' \beta_1 + Controls_i' \beta_2 + \varepsilon_i \qquad (3)$$

where all variables, parameters, and letters in Model (3) are defined the same as those in Model (1), except the latent variable Y_i^* defined as above.

Our central argument is that leaders of nations are attracted to China's global initiatives because of problems – which we call *grievances* – with the current global regime. Our grievances variables are grouped by issue area: grievances in international finance (financial crises, volatility of portfolio capital inflows, and variability in capital account policy), grievances in international trade (WTO cases filed against the U.S.) and grievances in international governance (inadequate vote share at the IMF and IMF conditions).

Our set of financial grievances is comprised of three variables.[46] The first is FINANCIAL CRISES, which is the cumulative count of major financial crises in a nation between 1990 and May 2017.[47] We include all types of financial crisis – banking crisis, currency crisis, or debt crisis – as long as they occurred from 1990 until May 2017.[48] We expect the sign of the estimated coefficient to be positive.

---

[46] For more information about our variables and data sources, see **Appendix Table A2**.

[47] The data on financial crises for 1990-2011 are from Laeven and Valencia (2012), which we extend to May 2017 by Google search.

[48] The start date of 1990 was chosen because this is when the U.S. and the IMF began to intensify pressure on

Our second financial grievance variable is the VOLTILITY OF PORTFOLIO INFLOWS, which is the average volatility of net portfolio capital inflows into a country between 1990 and 2016. Following Broto, Díaz-Cassou, and Erce (2011), we computed it as the average annual standard deviation of the absolute value of the quarterly residuals derived from an ARIMA regression, using quarterly data on net portfolio inflows into a nation as a share of GDP between 1990Q1 and 2016Q4.[49] We expect the sign of this estimate to be positive.

Our third financial grievance variable is VARIABILITY OF CAPITAL ACCOUNT POLICY, which is the standard deviation of the normalized Chinn-Ito index of financial openness between 1990 and 2015. The Chinn-Ito index offers excellent coverage and allows us to compute values for 174 countries.

We measure grievances in international trade with WTO CASES AGAINST THE U.S., which is the cumulative count of WTO cases filed by a nation against the U.S. between 1995 and May 2017. The abuse of trade remedies is the most common complaint against the U.S. at the WTO (se above). We think abuse of trade remedies causes resentment in affected nations because it symbolizes discrimination at the heart of the global trade regime. We expect countries that have lodged more WTO cases against the U.S. to feel more aggrieved and, therefore, more likely to look to China for leadership of the world economy.

Grievances about global governance comprise our final category of *push* factors. The IMF and World Bank have provoked enormous controversy over governance, and nations have adopted strategies to pressure these institutions to give more voice to emerging market and developing nations. However, the U.S. has been a roadblock to such efforts, thwarting the reform movement by way of its separation of powers system. Since any change in the governance structures of the IFIs must be approved by the U.S. Congress, the median legislator in Congress is the pivotal actor on global

---

nations to liberalize their capital accounts. The end date is the month before the forum.

[49] To elaborate, we first used quarterly data on net portfolio inflows from the IMF's International Financial Statistics to run an ARIMA model and produce residuals. We then calculated the yearly volatility (standard deviation) of the absolute value of the residuals. Finally, we took the simple average of this yearly volatility between 1990 and 2016 to obtain our measure. See Broto, Díaz-Cassou, and Erce (2011) for the benefits of this measurement procedure. The main weakness is that data are limited to 93 countries.

governance reform. The isolationist leanings of American lawmakers has stalled governance reform and thereby contributed to the grievance that underrepresented nations feel.

To measure this grievance, we construct the variable GOVERNANCE DEFICIT, which is the difference between a nation's vote share in the IMF and its GDP share of world GDP. Negative (positive) values indicate that the country is underrepresented (overrepresented) at the IMF. We take values in 2015 before the 2010 IMF governance reform went into effect. We think the five-year delay caused by the U.S. Congress caused lingering resentment that was still present at the time of the forum.[50] Our data on IMF vote shares and PPP-measured GDP are taken from the International Financial Statistics (IFS) and the World Development Indicators (WDI).

A related grievance is IMF CONDITIONALITY, which is a cumulative count of hard IMF conditions between 1990 and 2014. When a country can no longer obtain private finance to cover its external deficit, it must turn to the IMF for an emergency loan. But the IMF attaches policy conditions designed to ensure that the recipient country achieves the financial stability and economic recovery to repay its IMF loan. Some measures, like opening the domestic market or privatizing state-owned enterprises, are called *hard* conditions because their implementation is required by the IMF, which suggests they are controversial in the recipient country.[51] We draw the data from Kentikelenis, Stubbs, and King (2016), and measure IMF CONDITIONALITY as the cumulative count of hard conditions over the period of 1990-2014. We expect that more hard IMF conditions will give nations more reason to be dissatisfied with the current international order and, therefore, more incentive to be interested in China's global leadership.

We present our initial findings before addressing omitted variable concerns. **Table 2** presents probit results of regressing ATTENDENCE, the dichotomous version of our dependent variable, on our variables of interest. Model 1 reports the results of a benchmark regression that controls for OBOR and FTA, where the former is an

[50] Our results are not sensitive to whether we use values in 2017, after the IMF reform was implemented.

[51] Malaysia reportedly refused to accept an IMF bailout program in 1998 because its government was unwilling to accept IMF conditionality.

indicator variable designating whether a nation is geographically on the *One Belt, One Road* trade routes, and the latter indicates whether a nation has signed a free trade agreement with China. The estimated coefficient of OBOR is positive and highly significant, indicating that the probability a head of state attends the Forum is higher for nations that are positioned on the planned trade routes. This is intuitive and controls for the economic benefits that nations may hope to gain by partnering with China. As to FTA, its estimation coefficient is also positive and significant at the 5% level. This implies that, if a given country has a FTA with China, its head of state is more likely to attend the Forum. This can be interpreted as attraction by benefits because of closer trade relations as well as network effect.

In Model 2, we jointly introduce our three financial grievance variables into the baseline model. OBOR and FTA remain positive and significant and, as expected, the estimated coefficients of our three grievance measures are positive and significant. However, VARIABILITY OF CAPITAL ACCOUNT POLICY is insignificant due to its high correlation with the other two financial variables in the model, combined with the small sample size of VOLATILITY OF PORTFOLIO INFLOWS. To avoid multicollinearity and to gain more precision from a larger sample size, we separately introduce our financial grievance variables into the baseline model, while entering our other grievances variables jointly.

Model 3 introduces the first of our financial grievance variables, FINANCIAL CRISES. The estimate is positive and highly significant, suggesting that leaders of nations that suffered more financial crises since 1990 are more likely to attend the forum. This is consistent with our theoretical claim that, because financial crises bear heavily on leaders' ability to stay in office, leaders from crises-prone nations have a higher probability of showing interest in China's leadership (which they express by attending the forum).

In Model 4 we replace the crisis measure with our second financial grievance variable, VARIABILITY OF CAPITAL ACCOUNT POLICY. The estimate is positive and highly significant, implying that a nation that has been unable to maintain a consistent capital account policy is more likely to send its leader to the forum. We think this is because liberalizing the capital account generates more risk and volatility to capital flows, leading to sharp changes in policy as countries respond to boom-bust capital flow shocks. China offers a different approach. China's successful record of managing capital flows reinforces the attractiveness of its model, motivating heads of state to come to Beijing to support the China's global initiatives.

Model 5 introduces our third financial grievance variables, VOLATILITY OF PORTFOLIO INFLOWS. The coefficient estimate is positive and highly significant, as expected, implying that heads of states having problems with capital flows are more likely to attend the forum. Volatile short-term capital flows are a major source of instability in the current order and one of the main causes of financial crises. Short-term capital movements are also triggered by changes in U.S. monetary policy causing, global financial cycles. Because the Fed is unwilling to take the global spillovers of its actions into account, we expect that leaders of countries that have suffered more volatility will be more likely to look to China for leadership.

In Models 6, 7 and 8, we jointly enter WTO CASES AGAINST THE U.S., IMF CONDITIONS and GOVERNANCE DEFICIT so that we can simultaneously estimate the effect of all our grievances variables on leaders' decision to attend the forum. We find that our three financial grievance variables remain consistently positive and significant, but the estimates of other variables are mixed. The estimate of our trade grievance variable, WTO CASES AGAINST THE U.S., is positive and significant in Models 6 and 7, suggesting that head of nations having more trade conflicts with the U.S. are more likely to attend the Forum. However, this estimate is insignificant in Model 8, perhaps due to imprecision caused by the reduction in sample size. Alternatively, leaders from nations that have been targets of U.S. trade actions may simply not be motivated by this grievance to look to China for global leadership. We return to this interpretation in the conclusion.

Our estimated coefficients on IMF CONDITIONALITY and GOVERNANCE DEFICIT in Models 6-9 show no indication of bearing on leaders' decisions to attend the forum. Neither the number of hard IMF conditions nor the degree of a nation's under-representation at the IMF appears to increase the probability that a head of state attends the forum. In short, we find consistent evidence only for financial grievances.

In the remaining models of Table 2, we address omitted variable bias by introducing controls for factors that may be correlated with our dependent variable, or at least one independent variable. Since the BRI is a development-based project, trade and FDI from China are two driving forces that may induce leaders to attend the Forum. Given that we have used FTA as a proxy for the trade incentive in our baseline model, we now control for partner's BIT (bilateral investment treaty with China) and FDI DEPENDENCE ON CHINA (partner's FDI inflows from China as share of GDP) to reflect the impact of the investment incentive to attend.[52]

We also address the concern that our trade and governance grievance variables may be capturing broader aspects of economic and geopolitical relations. For example, the U.S. might target more trade remedies at nations that are closer to China, either economically or geopolitically, generating more complaints at the WTO. Since we already control for trade and investment relations with China, we have economic proximity covered. Because we are arguing that it is grievances with the U.S. global order that is pushing nations to China, we also need to control for nations' geopolitical proximity to the U.S. The measure we use – IDEAL POINT DISTANCE FROM US – is derived from voting patterns in the United Nations General Assembly (Bailey, Strezhnev, and Voeten 2015). A roughly similar logic leads us to also control for REGIME TYPE, since leaders of countries with domestic political institutions that are similar to China's may be more likely to embrace China's global economic leadership. We draw upon the Polity IV data set for this control. Additionally, leader's ideological preference may also play a role in deciding whether to travel to the forum. We use LEADER IDEOLOGY to control for this factor. Lastly, we control for relative ECONOMIC SIZE with national GDP as share of world GDP averaged over 2013-2016. This is because GDP enters into the construction of our GOVERNANCE DEFICIT variable in both the minuend (share of votes in the IMF) and the subtrahend (share of world GDP). Also, we introduce a nation's average per capita GDP

[52] We did not include both FTA and BIT in our baseline model because they are highly correlated.

GROWTH between 2013 and 2016 to control for the possibility that leaders attended the Forum to divert attention away from poor economic performance at home. The estimation results are reported in Models 10-12 of Table 2. Our results survive virtually intact when controlling for all these possible confounders.

Since some countries sent leaders of state to the forum while others sent cabinet ministers, lower officials or no one at all, we use ORDERED ATTENDENCE – our three-category ordered dependent variable – to replace our binary dependent variable) and re-run all regressions in Table 2 using an ordered probit model. The estimated results, reported in Table 3, are very consistent with our probit results. Grievances about global financial instability, as proxied by financial crisis are associated with higher probabilities that leaders and cabinet ministers attend the Forum, relative to lower level officials and non-attending nations. We also find positive and significant coefficients for WTO CASES AGAINST THE U.S. in most of these regressions. But IMF CONDITIONALITY and GOVERNANCE DEFICIT remain unrelated to forum attendance decisions, just as in our previous estimates.

Turning to the substantive interpretation of our results, **Figure 2** displays the average marginal effects of the probit results from Model 11 of **Table 2**. Here, we simulated the predicted probability of head of state attendance at the forum and then examined how the predicted probabilities change when our grievance variables and other control variables increase one standard deviation from their means (or from 0 to 1 for dichotomous variables), holding other variables at their mean values. The impact of our baseline controls, OBOR and FTA, on the probability a leader attends the Forum is quite large – 17 percentage points each – and precisely estimated. This is expected since the BRI offers substantial economic benefits to nations that lie along China's trade routes or have FTAs with China. However, the impact of our preferred financial grievance measure, VARIABILITY OF CAPITAL ACCOUNT POLICY, is much larger, but also less precise: a one standard deviation increase in this variable increases the probability of sending a head of state to the Forum by 77 percentage points (95% CI [25, 128]). The impact of all the other variables on the probability of head of state attendance is close to zero.

Figure 3 plots the substantive effects of our ordered probit results, using Model 10 from **Table 3**. The figure shows that OBOR increases the probability of sending a head of state or cabinet minister by 25 and 9 percentage points respectively, while reducing the likelihood of sending a lower-level official or not sending anyone by 34 percentage points. Signing a FTA with China increases the likelihood of sending a head of state or a minister by 18 and 7 percentage points respectively, while reducing the likelihood of sending a lower-level official or not attending by 25 percentage points. These are large effects. However, they are dwarfed by the estimated effects of a variable capital account policy, our policy-based measure of problems with volatile capital flows. Having a variable capital account policy increases the probability of sending a leader or a cabinet minister to the forum by 77 and 29 percentage points respectively, while lowering the likelihood of sending a lower-official or not sending anyone by 100 percentage points (95% CI [-154, -58]). Again, the impacts of IMF conditions, governance deficit and other control variables are statistically close to zero.

To sum up, our financial grievance variables perform as expected while our proxies for IMF interventions and governance grievances do not find support in these data. Why should we find a strong association between leader attendance at the Belt and Road Forum and our measures of financial instability but little evidence that attendance correlates with being underrepresented at the IMF? We think this might reflect the personal incentives of office-seeking leaders. Financial instability has a large, negative impact on the aggregate economic performance of a nation. The recessions that follow financial crises are deeper and longer than regular recessions and, through the channel of economic voting, this directly impinges on the ability of leaders to stay in office. Furthermore, research has shown that leaders are punished for bad economic conditions even when they have no control over those conditions (Campello and Zucco 2015). This suggests that grievances about international financial instability will be front-and-center in the minds of individual leaders.

By contrast, we can think of no plausible scenario where grievances about the governance of the IMF would ever cause a leader to be removed from office.

Complaints about global governance are esoteric matters that are unlikely to shape mass attitudes towards incumbent leaders or ballot box decisions. By the same token, grievances about U.S. trade policies usually don't have major electoral consequences (which may account for our weaker finding, which is positive but close to zero). While certain interests within a nation may care passionately about trade and global governance, most voters do not.

5. **Conclusion**

It is tempting to associate the decline of U.S. leadership with the rush of populism that brought Donald Trump to the presidency in 2016, but the decline has been in the making for decades. While Trump's initiation of a global tariff war could hasten this decline by helping to unite other countries against the U.S., domestic opposition to trade and globalization has been building in the U.S. since at least the 1990s, with tumultuous debates surrounding NAFTA, the WTO, the IMF, the World Bank, and other global and regional initiatives (Destler 2005). This suggests that the challenge to American leadership comes as much from within the United States as from outside.

While domestic politics creates uncertainty about U.S. global leadership, China has stepped forward with major global initiatives of its own. In this paper, we approached China's rise from the perspective of potential followers. The research question we addressed is: why are some foreign leaders more interested in China's economic leadership than others? To our knowledge, this question has not been addressed before.

We make two important contributions. First, we develop a new behavioral indicator of *foreign interest* in China's global economic leadership. Drawing on the literature that views leader travel as communicating foreign policy interests, we use head of state (and cabinet minister) attendance at the Belt and Road Forum in Beijing as our dependent variable. We argue that forum attendance is a good measure of foreign interest in China's global economic leadership because: (1) the forum was ad hoc high-level summit on global economic cooperation, open to all foreign leaders, and motivated by the China's desire to showcase international support for President

Xi Jinping's global economic leadership; (2) geopolitical relationships and the internal policies of certain participants made it costly for some leaders to attend the forum; (3) leaders that attended vetted a joint communiqué on the principles and objectives of global economic cooperation, centered on China; and (4) the BRI is a purely Chinese creation that operates on the basis of bilateralism, unlike the AIIB, so participating in the forum can be interpreted more directly as interest in a uniquely Chinese global initiative.

Our second contribution is theoretical. While the common wisdom is that China uses its vast economic resources to pull foreign nations into its orbit, we argue that dissatisfaction with the current U.S.-led international order is *pushing* some nations closer to China. We identify specific grievances in three separate areas: finance, trade, and governance. We interpret our findings in terms of the micro-incentives of leaders, avoiding arguments about the *national interest*. We found that grievances about international financial instability correlate consistently with greater support for China's leadership. This is understandable because financial instability directly threatens leaders with removal from office. Leaders of nations that suffer from financial instability thus have a personal stake in being interested in China's new world order, which seems to offer – at least to date – relief from the instability that has plagued world finance since nations opened their capital accounts. By contrast, we found little evidence that grievances about global governance correlate with leader interest in China. We interpret this non-result to suggest that the governance issue is unlikely to affect the ballot-box choices of voters, and thereby has less relevance to leaders. The fact that we find only limited support for the argument that WTO trade disputes with the U.S. are pushing nations closer to China may also reflect the narrower distributional implications of trade policy relative to financial instability.

To recap our key results, we found that financial crises consistently correlate with greater foreign interest in China's leadership. We also found that other measures of financial instability – variability in capital account policies, volatility of portfolio capital inflows – do as well. We interpret these results as indicating that foreign leaders are seeking shelter from financial shocks, including those that emanate from the U.S. We think that foreign leaders are dissatisfied with the U.S. for not doing more to help them cope with the *risk-on, risk-off* waves of the global financial cycle that result from changes in U.S. monetary policy. The Fed is well aware of this criticism but is unwilling to offer more than transparency to help other nations deal with the spillovers of its policy. In this context, China's model – which gives priority to capital controls among the Trilemma's trade-offs – may look particularly attractive to leaders that have pursued financial openness but still lack monetary independence, regardless of their exchange-rate regime. In short, we think that China's successful management of its capital account has helped it to win the support of foreign leaders that have seen their economies buffeted by global financial shocks.

In ongoing work, we are evaluating this conjecture to see whether harsher experiences with the global financial cycle correlates with a greater likelihood of negotiating a bilateral currency swap agreement with China. We also plan to analyze AIIB participation, with the aim of separating members that share China's preferences from those with different preferences that are seeking a "seat at the table." In the meantime, we conclude our paper by encouraging scholars of international change to think about followers as well as leaders, for it is a truism that global leadership requires followers.

References

Aizenman, Joshua and Gurnain Kuar Pasricha. 2010. "Selective Swap Arrangements and the Global Financial Crisis: Analysis and Interpretation." *International Review of Economics and Finance* 19 (3), 353-365.

Aizenman, Joshua and Rajeswari Sengupta. 2013. "Financial Trilemma in China and a Comparative Analysis with India." *Pacific Economic Review* 18, 2 (May):123-146.

Bailey, Michael A., Anton Strezhnev, and Erik Voeten. 2015. "Estimating Dynamic State Preferences from United Nations Voting Data." *Journal of Conflict Resolution* 61 (2): 430-456.

Bird, Graham and Dane Rowlands. 2006. "IMF Quotas: Constructing an International Organization using Inferior Building Blocks." *Review of International Political Economy* 1: 153-171.

Borst, Nicholas and Nicholas Lardy. 2015. "Maintaining Financial Stability in the People's Republic of China during Financial Liberalization." *Peterson Institute for International Economics Working Paper No. 15-4*.

Bown, Chad P. 2011. "Taking Stock of Antidumping, Safeguards and Countervailing Duties, 1990–2009." *The World Economy* 34: 1955-1998.

Bown Chad P. and Thomas J. Prusa. 2010. "U.S. Antidumping: Much Ado about Zeroing." *World Bank Policy Research Working Paper* No. 5352.

Broto, Carmen, Javier Díaz-Cassou, and Aitor Erce. 2011. "Measuring and Explaining the Volatility of Capital Flows to Emerging Countries." *Journal of Banking & Finance* 35 (8):1941-1953.

Broz, J. Lawrence. 2011. "The United States Congress and IMF Financing, 1944-2009." *Review of International Organizations* 6, 3 (September): 341-368.

Broz, J. Lawrence. 2008. "Congressional Voting on Funding the International Financial Institutions." *Review of International Organizations* 3, 4 (December): 351-374.

Broz, J. Lawrence. 2006. "Changing IMF Quotas: The Role of the United States Congress." In *Reforming the Governance of the IMF and the World Bank*. Edited by Ariel Buira, pp. 283-308. London: Anthem Press.

Bruno, Valentina and Hyun Song Shin. 2015. “Capital Flows and the Risk-Taking Channel of Monetary Policy.” *Journal of Monetary Economics* (71): 119-132.

Campello, Daniela and Cesar Zucco. 2016. “Presidential Success and the World Economy.” *The Journal of Politics* 78 (2) 589-602.

Chen, Sally and Joong Shik Kang. 2018. “Credit Booms – Is China Different?” *IMF Working Paper* WP/18/2 (January): 1-21.

Chinn, Menzie and Jeffry A. Frieden. 2011. *Lost Decades: The Making of America's Debt Crisis and the Long Recovery.* New York: W.W. Norton.

Chinn, Menzie D. and Hiro Ito. 2007. “A New Measure of Financial Openness.” *Journal of Comparative Policy Analysis* 10, 3 (September):309-322.

Copelovitch Mark, Jeffry A. Frieden, and Stefanie Walter. 2016. “The Political Economy of the Eurozone Crisis.” *Comparative Political Studies* 49 (7):811-840.

Destais, Christophe. 2016. “Central Bank Currency Swaps and the International Monetary System.” *Emerging Markets Finance & Trade* 52 (10):2253-2266.

di Mauro, Beatrice Weder and Jeromin Zettelmeyer. 2017. “The New Global Financial Safety Net: Struggling for Coherent Governance in a Multipolar System." Centre for International Governance Innovation (CIGI), *Essays in International Finance*, 4.

Eichengreen, Barry and Poonam Gupta. 2015. “Tapering Talk: The Impact of Expectations of Reduced Federal Reserve Security Purchases on Emerging Markets.” *Emerging Markets Review* 25 (December): 1-15.

Funke, Manuel, Moritz Schularick, and Christoph Trebesch. 2016. "Going to Extremes: Politics after Financial Crises, 1870-2014." *European Economic Review* 88(C):227-260.

Hall, Todd and Keren Yarhi-Milo, K. 2012. “The Personal Touch: Leaders’ Impressions, Costly Signaling, and Assessments of Sincerity in International Affairs.” *International Studies Quarterly*, 56(3): 560-573.

Henning, C. Randall. 2016. “The Global Liquidity Safety Net: Precautionary Facilities and Central Bank Swaps.” In *Global Financial Governance Confronts the Rising*

Powers: Emerging Perspectives on the New G20. Edited by C. Randall Henning and Andrew Walter, pp. 119-150. McGill-Queen's University Press.

Henning, C. Randall. 2002. *East Asian Financial Cooperation*. Policy Analyses in International Economics No. 68. Washington, DC: Peterson Institute for International Economics.

Holmes, Marcus. 2013. "The Force of Face-to-Face Diplomacy: Mirror Neurons and the Problem of Intentions." *International Organization* 67(4): 829-861.

Horowitz, Michael C., Allan C. Stam, and Cali M. Ellis. 2015. *Why Leaders Fight*. New York: Cambridge University Press.

Hurley, John, Scott Morris, and Gailyn Portelance. 2018. "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective." *CGD Policy Paper*. Washington, DC: Center for Global Development.

International Monetary Fund. 2012. "The Liberalization and Management of Capital Flows: An Institutional View." (14 November).

Ito, Takatoshi. 2007. "Asian Currency Crisis and the International Monetary Fund, 10 Years Later: Overview." *Asian Economic Policy Review* 2: 16-49.

Jordà, Oscar, Moritz Schularick, and Alan M. Taylor. 2013. "When Credit Bites Back." *Journal of Money, Credit and Banking* 45, 2 (December): 3-28.

Kastner, Scott L., and Saunders, Phillip C. 2012. "Is China a Status Quo or Revisionist State? Leadership Travel as an Empirical Indicator of Foreign Policy Priorities." *International Studies Quarterly* 56(1):163-177.

Kentikelenis, Alexander E., Stubbs, Thomas H., and King, Lawrence P. 2016. "IMF Conditionality and Development Policy Space, 1985–2014." *Review of International Political Economy* 23(4): 543–82.

Kose, M. Ayhan, Eswar S. Prasad, Kenneth Rogoff, and Shang-Jin Wei. 2009. "Financial Globalization: A Reappraisal." *IMF Staff Papers* 56, 1 (April): 8-62.

Laeven, Luc and Valencia, Fabian. 2012. "Systemic Banking Crises Database: An Update." *IMF Working Paper No. WP/12/163*, June.

Lardy, Nicholas and Patrick Douglass. 2011. "Capital Account Liberalization and the Role of the Renminbi." *Peterson Institute for International Economics Working*

Paper No. 11-6.

Lavelle, Kathryn C. 2011. *Legislating International Organization. The US Congress, the IMF, and the World Bank*. New York: Oxford University Press.

Lebovic, James H., and Elizabeth N. Saunders. 2016. “The Diplomatic Core: How the United States Employs High-Level Visits as a Scarce Resource.” *International Studies Quarterly* 60 (1): 107-123.

Lewis-Beck, Michael. S. and Mary Stegmaier. 2000. “Economic Determinants of Electoral Outcomes.” *Annual Review of Political Science* 3 (June): 183-219.

Liao, Steven and Daniel McDowell. 2015. “Redback Rising: China’s Bilateral Swap Agreements and Renminbi Internationalization.” *International Studies Quarterly* 59: 401-422.

Lipscy, Phillip Y. 2017. *Renegotiating the World Order: Institutional Change in International Relations*. Cambridge: Cambridge University Press.

Lipscy, Phillip Y. 2015. “Explaining Institutional Change: Policy Areas, Outside Options, and the Bretton Woods Institutions. *American Journal of Political Science* 59 (2): 341-356.

McDowell, Daniel. 2018a. “Emergent International Liquidity Agreements: Central Bank Cooperation after the Global Financial Crisis.” *Journal of International Relations and Development* (forthcoming).

McDowell, Daniel. 2018b. “The (Ineffective) Financial Statecraft of China's Bilateral Swap Agreements. *Development and Change* (forthcoming).

McManus, Roseanne W. 2018. “Making It Personal: The Role of Leader-Specific Signals in Extended Deterrence.” Forthcoming in the *Journal of Politics*.

McManus, Roseanne W., and Keren Yarhi-Milo. 2017. “The Logic of “Offstage” Signaling: Domestic Politics, Regime Type, and Major Power-Protégé Relations.” *International Organization* 71(4): 701-733.

Mian, Atif, Amir Sufi, and Francesco Trebbi. 2014. "Resolving Debt Overhang: Political Constraints in the Aftermath of Financial Crises." *American Economic Journal: Macroeconomics* 6(2):1-28.

Miranda-Agrippino, Silvia and Hélène Rey. 2015 “US Monetary Policy and the

Global Financial Cycle.” *NBER Working Paper No. 21722*. Revised in February 2018.

Moore, Michael O and Maurizio Zanardi. 2011. “Trade Liberalization and Antidumping: Is There a Substitution Effect?” *Review of Development Economics* 15 (4): 601-619.

Morse, Julia C., and Robert O. Keohane. 2014. “Contested Multilateralism”. *The Review of International Organizations* 94 (4): 385-412.

Naughton, Barry. 2010. “China's Distinctive System: Can it be a Model for others? *Journal of Contemporary China* 19(1): 437-460.

Nelson, Rebecca M. and Martin A. Weiss. 2015. “IMF Reforms: Issues for Congress.” *Congressional Research Service* R42844 (April 9): 1-16.

Pelc, Krzysztof J. 2011. “How States Ration Flexibility: Tariffs, Remedies, and Exchange Rates as Policy Substitutes.” *World Politics* 63(4): 618-646.

Reinhart, Carmen M., and Vincent R. Reinhart. 2009. “Capital Flow Bonanzas: An Encompassing View of the Past and Present.” In *NBER International Seminar on Macroeconomics* 2008, edited by Jeffrey Frankel and Christopher Pissarides, pp. 9-62. Chicago: Chicago University Press.

Reinhart, Carmen M., and Kenneth S. Rogoff. 2014. "Recovery from Financial Crises: Evidence from 100 Episodes." *American Economic Review* 104(5): 50-55.

Rey, Hélène. 2016. “International Channels of Transmission of Monetary Policy and the Mundellian Trilemma.” *IMF Economic Review* 64, 1 (May): 6-35.

Rey, Hélène. 2015. “Dilemma not Trilemma: The Global Cycle and Monetary Policy Independence.” *NBER Working Paper No. 21162* (Revised February 2018).

Stiglitz, Joseph E. 2004. “Capital-Market Liberalization, Globalization, and the IMF.” O*xford Review of Economic Policy* 20, 1 (March): 57-71.

Truman, Edwin M. 2014. “IMF Reform is waiting on the US.” *Peterson Institute for International Economics Policy Brief 14-9* (March): 1-8.

Williamson, John. 2012. “Is the "Beijing Consensus" Now Dominant? *Asia Policy* 13(January): 1-16.

Table 1: Country Averages by Belt and Road Forum Attendance Status

Forum Attendance	GDP ($US in billions 2016)	GDPPC ($US 2016)	OBOR (indicator)	Financial Crises (count)	Volatility Portfolio Inflows (std. dev)	Variability Capital Account Policy (std. dev.)	WTO Cases against the U.S. (count)	IMF Governance Deficit (difference)	IMF Conditions (count)
Grievance Type				Financial	Financial	Financial	Trade	Governance	Governance
Head of State (29)	358	10,466	0.72	2.10	0.38	0.17	4.76	-0.05	169.07
Cabinet Minister (56)	347	17,115	0.57	1.23	0.10	0.14	5.5	0.20	116.27
Lower level official (6) or not attending (97)	351	10,875	0.12	1.45	0.10	0.13	2.14	0.05	136.86

Notes: Values in parentheses for "Forum Attendance" indicate the number of countries in each group. All values are group averages. "OBOR" indicates whether a country is geographically adjacent to "One Belt, One Road" trade routes. "Financial Crises" is a cumulative count of major financial crises between 1990 and May 2017. "Volatility of Portfolio Inflows" is the average volatility (standard deviation) of net portfolio inflows into a country between 1990Q1 and 2016Q4. It is computed as the average annual standard deviation of the absolute value of the quarterly residuals derived from an ARIMA regression, using quarterly data on net portfolio inflows as a share of GDP (see Broto, Díaz-Cassou, and Erce 2011). "Variability of Capital Account Policy" is the standard deviation of a country's normalized Chinn-Ito index between 1990 and 2015. "WTO Cases against the US" is the cumulative count of trade disputes filed by a nation against the U.S. at the WTO between 1995 and May 2017. "IMF Governance Deficit" is the difference between a nation's share of votes in the IMF and its share of world GDP in PPP in 2015 (before governance reform). Negative values indicate a governance deficit. "IMF Conditions" is a cumulative count of "hard" conditions imposed on a country by the IMF between 1990 and 2014 (Kentikelenis, Stubbs, and King 2017).

Table 2 Grievances and Leader Attendance at the Belt and Road Forum: Probit Model

DV=ATTENDANCE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
OBOR	1.105***	0.866**	1.116***	1.115***	0.886**	1.379***	1.316***	0.936**	1.244***	1.033**	1.061**	1.199*
	(3.27)	(2.04)	(3.15)	(3.21)	(2.30)	(3.47)	(3.52)	(2.12)	(3.38)	(2.49)	(2.53)	(1.90)
FTA	0.910***	0.908**	0.991***	0.963***	0.651*	1.075***	1.031***	0.759**	0.986***	0.779**	0.758**	0.490
	(3.17)	(2.47)	(3.35)	(3.32)	(1.88)	(3.36)	(3.28)	(2.05)	(3.22)	(2.06)	(2.11)	(1.14)
FINANCIAL CRISES		0.884**	0.971***			1.070***				0.877***		
		(2.50)	(3.39)			(3.14)				(2.64)		
VARIABILITY OF CAPITAL ACCOUNT POLICY		0.613		0.664**			0.679**				1.035***	
		(1.48)		(2.10)			(2.04)				(2.83)	
VOLATILITY OF PORTFOLIO INFLOWS		0.812***			0.649***			0.580**				0.560*
		(3.47)			(2.98)			(2.40)				(1.95)
WTO CASES AGAINST THE U.S						0.752**	0.816**	0.455	0.822**	0.564	0.973**	0.508
						(2.01)	(2.20)	(0.96)	(2.29)	(1.26)	(2.26)	(0.83)
IMF CONDITIONALITY						-0.000	0.161	0.290	0.422	-0.043	0.150	0.150
						(-0.00)	(0.46)	(0.72)	(1.28)	(-0.11)	(0.40)	(0.36)
IMF GOVERNANCE DEFICIT						0.171	0.029	-0.074	0.021	-0.036	-0.255	-0.152
						(0.57)	(0.09)	(-0.18)	(0.06)	(-0.10)	(-0.68)	(-0.29)
BIT										0.511	0.373	0.000
										(1.27)	(0.79)	(.)
FDI DEPENDENCE ON CHINA										0.541*	0.726**	0.296
										(1.89)	(2.55)	(0.80)
IDEAL POINT DISTANCE FROM U.S.										-0.245	-0.162	0.427
										(-0.55)	(-0.33)	(0.82)

REGIME TYPE										-0.141	-0.420	0.702
										(-0.32)	(-0.86)	(1.04)
LEADER’S IDEOLOGY										-0.198	-0.144	-0.053
										(-0.59)	(-0.42)	(-0.14)
ECONOMIC SIZE										-0.133	0.171	0.048
										(-0.27)	(0.48)	(0.11)
GDP GROWTH										0.140	-0.189	-0.813*
										(0.35)	(-0.41)	(-1.75)
Constant	***	***	***	***	***	***	***	***	***	***	***	**
	(-8.94)	(-4.80)	(-8.26)	(-7.63)	(-5.49)	(-6.91)	(-6.34)	(-5.25)	(-7.74)	(-2.94)	(-2.84)	(-2.46)
Observations	192	89	192	174	93	187	174	93	187	143	138	70
Pseudo R2	0.188	0.227	0.239	0.217	0.126	0.267	0.250	0.136	0.220	0.257	0.283	0.166

Note: t statistics in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$, and constants are not reported. Probit model. The dependent variable is ATTENDANCE, a binary variable equal to 1 if a nation’s head of state attended the forum, 0 otherwise.

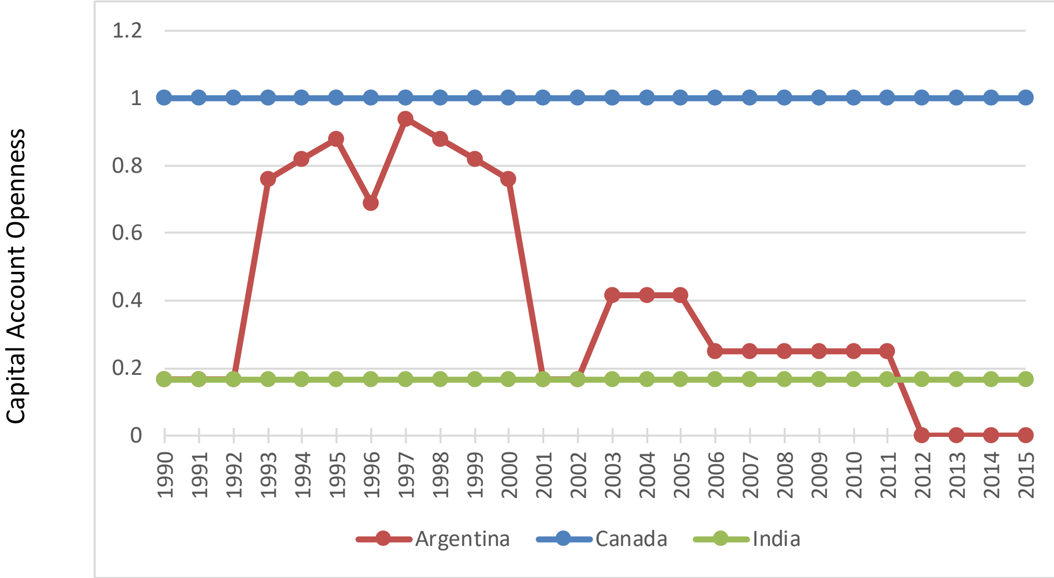
Table3 Grievances and Leader Attendance at the Belt and Road Forum: Ordered Probit Model

DV=ORDERED ATTENDANCE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
OBOR	0.777***	0.499***	0.778***	0.748***	0.518***	0.949***	0.941***	0.676***	0.837***	0.831***	0.570**	0.392
	(6.22)	(2.99)	(6.19)	(5.88)	(3.20)	(6.75)	(6.66)	(3.46)	(5.01)	(4.73)	(2.12)	(1.50)
FTA WITH CHINA	0.383***	0.360**	0.394***	0.395***	0.310*	0.457***	0.459***	0.439**	0.431***	0.444***	0.409**	0.356*
	(3.16)	(2.02)	(3.01)	(2.94)	(1.86)	(3.30)	(3.19)	(2.51)	(2.65)	(2.81)	(2.01)	(1.86)
FINANCIAL CRISES		0.217	0.198*			0.272**			0.251*			
		(1.43)	(1.78)			(2.01)			(1.79)			
VARIABILITY OF CAPITAL ACCOUNT POLICY		0.204		0.247**			0.336***			0.557***		
		(1.26)		(1.99)			(2.62)			(3.86)		
VOLATILITY OF PORTFOLIO INFLOWS		0.467***			0.326**			0.234*			0.237	0.303**
		(3.51)			(2.43)			(1.66)			(1.54)	(2.01)
WTO CASES AGAINST THE U.S.						0.386***	0.459***	0.396**	0.389**	0.578***	0.421*	
						(2.72)	(3.26)	(1.97)	(2.14)	(3.20)	(1.75)	
IMF CONDITIONALITY						-0.090	-0.053	0.171	-0.043	0.024	0.275	0.176
						(-0.64)	(-0.39)	(0.99)	(-0.30)	(0.16)	(1.60)	(1.11)
IMF GOVERNANCE DEFICIT						0.203	0.176	0.172	0.207	0.144	0.131	0.148
						(1.35)	(1.13)	(0.84)	(1.11)	(0.81)	(0.48)	(0.60)
BIT									0.317*	0.286	0.458**	0.506**
									(1.94)	(1.55)	(2.23)	(2.50)
FDI DEPENDENCE ON CHINA									0.069	0.145	0.010	0.020
									(0.48)	(1.06)	(0.05)	(0.10)
IDEAL POINT DISTANCE FROM U.S.									0.151	0.120	0.131	0.014
									(0.91)	(0.68)	(0.59)	(0.06)

REGIME TYPE									0.095	-0.082	0.066	0.044
									(0.53)	(-0.43)	(0.23)	(0.14)
LEADER'S IDEOLOGY									-0.152	-0.091	-0.150	-0.134
									(-1.05)	(-0.61)	(-0.71)	(-0.65)
ECONOMIC SIZE									-0.103	0.025	-0.043	-0.025
									(-0.57)	(0.17)	(-0.18)	(-0.14)
GDP GROWTH									-0.079	-0.167	-0.222	-0.184
									(-0.51)	(-0.96)	(-1.04)	(-0.84)
Observations	188	87	188	171	91	184	171	91	140	135	79	79
Pseudo R^2	0.175	0.122	0.182	0.179	0.093	0.229	0.240	0.124	0.227	0.273	0.166	0.149

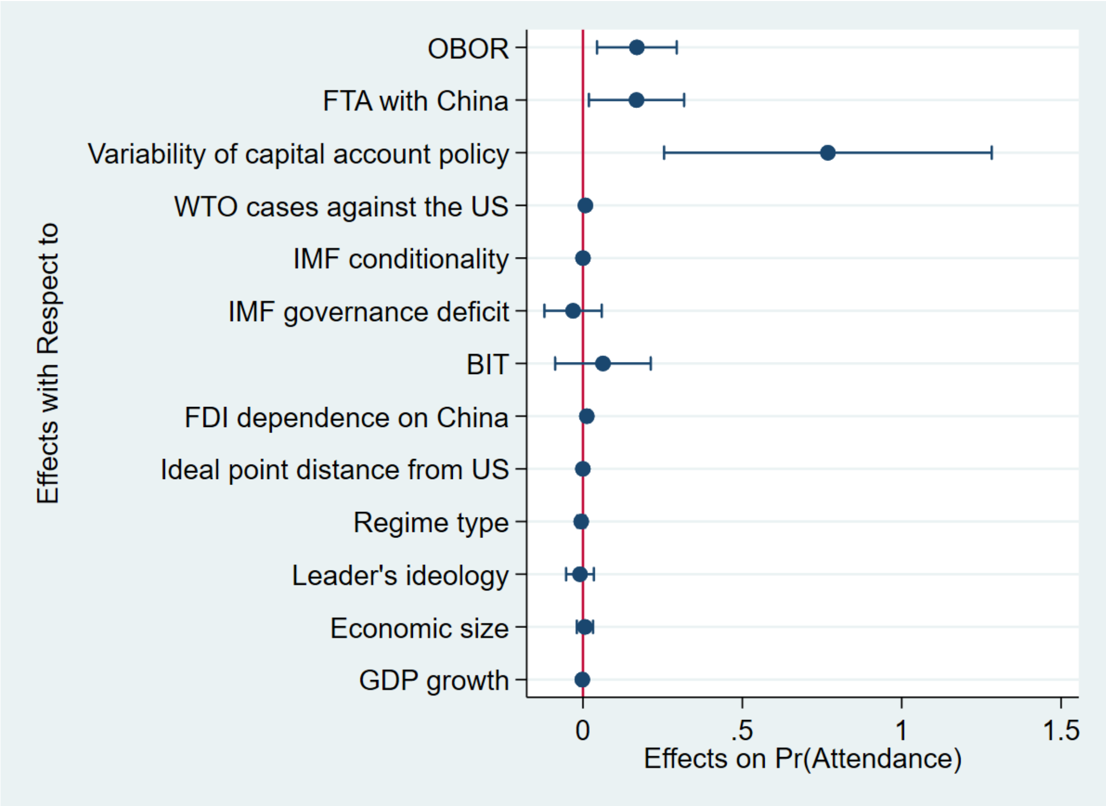
Note: t statistics in parentheses; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$. Ordered Probit model of ORDERED ATTENDANCE, which equals 2 if a nation's head-of-state attended the forum, 1 if a cabinet minister attended, and 0 if a lower-level official or no one attended.

Figure 1: Variability of Capital Account Policy: Argentina, Canada, and India



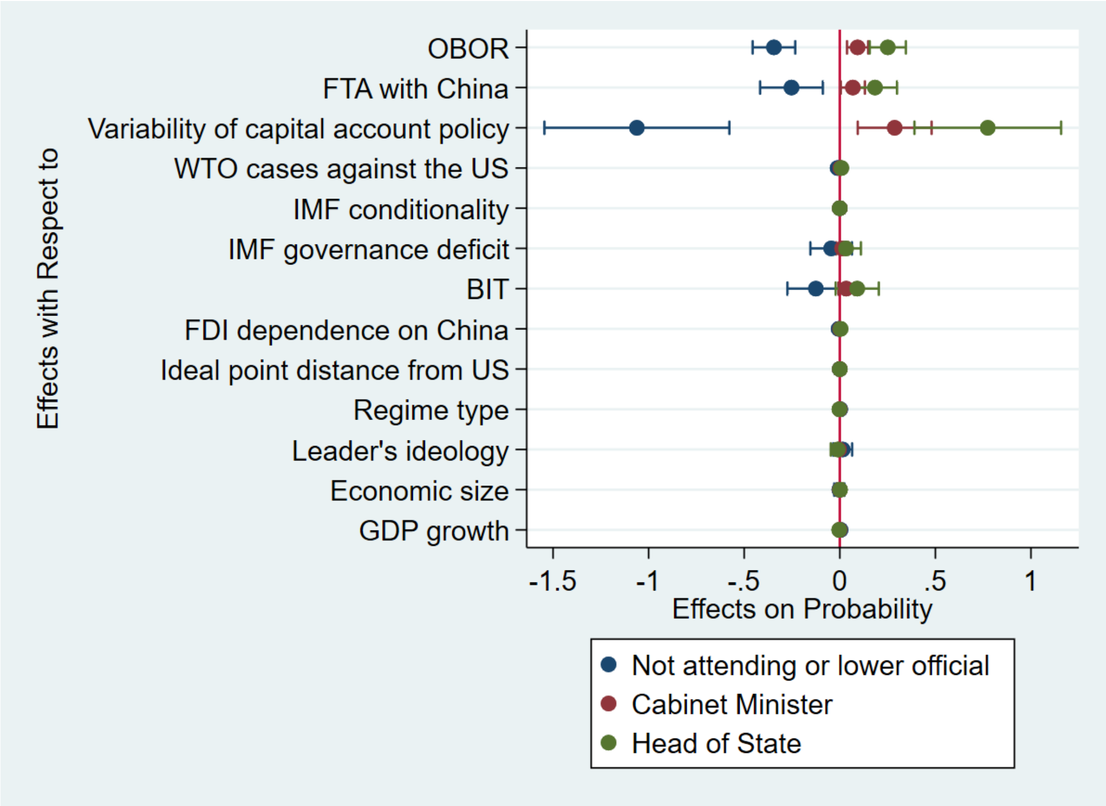
*Note***:** The figure plots the normalized Chinn-Ito index of capital account openness, which ranges from 0 (most restrictive) to 1 (least restrictive).

Figure 2: Average Marginal Effects on ATTENDANCE



Note: Average marginal effects estimated from Model 11 of Table 2.

Figure 3: Average Marginal Effects on ORDERED ATTENDANCE



Note: Average marginal effects estimated from Model 10 of Table 3.

Appendix Table A1: Covariates of Countries Attending the Belt and Road Forum

Country	*BRI Forum Attendance*	*GDP*	*GDPPC*	*OBOR*	*FDI Dependence on China*	*Financial Crises*	*Variability of Capital Account Policy*	*Volatility of Portfolio Inflows*	*WTO Cases Against US*	*IMF Conditions*	*Governance Deficit*
Argentina	Head of State	552231	12784.6	0	0.332393	5	0.315697	0.001196	5	325	0.103
Belarus	Head of State	64557.2	6808.9	1	0.521723	5	0.105779	0.000876	0	46	0.029
Cambodia	Head of State	17573.5	1140.05	1	20.0803	1	0.296553	0.000136	0	203	0.013
Chile	Head of State	257230	14551.2	0	0.09555	1	0.40667	0.027488	2	0	0
Czech Republic	Head of State	198825	18871	1	0.113095	1	0.24884	0.009165	7	24	0.134
Ethiopia	Head of State	60024.8	606.384	1	2.00635	1	0.045028		0	128	-0.061
Fiji	Head of State	4420.66	4971.09	0	3.2507	1	0.091551		0	0	0.053
Greece	Head of State	216340	19915.1	0	0.047171	2	0.286549	0.461678	33	0	0.222
Hungary	Head of State	130008	13190.5	1	0.379497	2	0.388453	0.006415	7	121	0.213
Indonesia	Head of State	899214	3504.67	1	0.809619	4	0.201915	0.001772	3	168	-1.626
Italy	Head of State	2.00E+06	32835.8	0	0.047935	2	0.15197	7.32434	33	0	1.26
Kazakhstan	Head of State	194024	11179.4	1	3.22454	2	0	0.02976	0	305	-0.183
Kenya	Head of State	62709.8	1342.38	0	1.4716	2	0.27881		0	265	0.016
Kyrgyzstan	Head of State	7008.15	1190.08	1	14.9056	2	0.204287	0.008766	0	516	0.042
Lao People's Democratic Republic	Head of State	13876.1	2092.23	1	31.7161	1	0.098059		0	236	0.014
Malaysia	Head of State	313497	10303.1	1	0.74316	2	0.244004	0.008764	1	0	0.019
Mongolia	Head of State	11927.6	4049.4	1	30.8425	4	0.135765	0.009481	0	297	0.019
Myanmar	Head of State	63934.5	1225.33	1	6.4028	3	0.071195		0	0	-0.115
Pakistan	Head of State	257572	1372.21	1	1.44376	0	0.032496		2	556	-0.37
Philippines	Head of State	288525	2858.16	1	0.249744	3	0.136082	0.00724	1	258	-0.217
Poland	Head of State	504053	13265.2	1	0.062484	2	0.192419	0.005045	7	99	-0.179
Russian Federation	Head of State	1.70E+06	11936.8	1	0.623266	4	0.202033	0.004571	0	362	-0.931

Country	*BRI Forum Attendance*	*GDP*	*GDPPC*	*OBOR*	*FDI Dependence on China*	*Financial Crises*	*Variability of Capital Account Policy*	*Volatility of Portfolio Inflows*	*WTO Cases Against US*	*IMF Conditions*	*Governance Deficit*
Serbia	Head of State	41159	5784.89	1	0.109769	1		0.001795	0	210	0.125
Spain	Head of State	1.30E+06	27755.7	0	0.040381	1	0.195591	0.022518	33	0	0.229
Sri Lanka	Head of State	78902	3777.78	1	0.683753	1	0.160321	0.003707	0	199	-0.025
Switzerland	Head of State	679539	82569	0	0.068596	1	0	0.050454	1	0	0.975
Turkey	Head of State	900474	11609.3	1	0.108674	4	0.137166	0.003415	1	333	-1.048
Uzbekistan	Head of State	63720.4	2051.56	1	0.992484	2	0.100186		0	52	-0.024
Viet Nam	Head of State	188321	2063.15	1	1.77749	1	0.140265		2	200	-0.271
Afghanistan	Minister	19817.1	597.405	1	2.35445	0			0	83	0.034
Albania	Minister	12329.5	4272.85	1	0.057342	4	0.100117	0.011232	0	421	0.022
Armenia	Minister	10951.9	3763.53	1	0.068573	1	0.122991	0.003529	0	436	0.048
Australia	Minister	1.40E+06	59122.2	0	1.84796	0	0.128898	0.012206	2	0	0.316
Azerbaijan	Minister	60082.7	6286.08	1	0.077256	3	0.140767	0.005888	0	389	-0.057
Bahrain	Minister	32317.7	23759.2	1	0.035932	0	0.052338		0	0	0.024
Bangladesh	Minister	184842	1151.35	1	0.099074	0	0.084301		0	244	-0.264
Belgium	Minister	493306	43850.7	0	0.094872	1	0.064318	0.061608	33	0	1.428
Bosnia and Herzegovina	Minister	17352.3	4878.15	1	0.041219	1	0.225235	0.00533	0	279	0.065
Brazil	Minister	2.10E+06	10412.7	0	0.114744	5	0.214273	0.002179	11	185	-1.074
Brunei Darussalam	Minister	14886.9	36023.6	1	0.703571	0		0.02253	0	0	0.081
Cyprus	Minister	21681.2	25412	0	0.573804	1	0.344626	0.242363	7	0	0.065
Korea， DPR	Minister	16747.8	669.25	0	3.73366	0			0	0	0
Denmark	Minister	325833	57512.3	0	0.046097	1	0.026061	0.041645	33	0	0.548
Egypt	Minister	315778	3400.84	1	0.215365	2	0.384167	0.000376	0	197	-0.531
Eritrea	Minister	4468.75	860.797	0	3.9671	1	0.136353		0	0	0.032
Finland	Minister	252934	46262.1	0	0.040357	2	0.082242	0.056396	33	0	0.335

Country	*BRI Forum Attendance*	*GDP*	*GDPPC*	*OBOR*	*FDI Dependence on China*	*Financial Crises*	*Variability of Capital Account Policy*	*Volatility of Portfolio Inflows*	*WTO Cases Against US*	*IMF Conditions*	*Governance Deficit*
France	Minister	2.60E+06	39722.8	0	0.224807	1	0.15197	0.049046	33	0	1.971
Georgia	Minister	15243.9	4080.58	1	3.215	3	0.191655	0.002603	0	405	0.059
Germany	Minister	3.60E+06	44386.6	0	0.162413	1	0	0.024023	33	0	2.444
Iran (Islamic Republic of)	Minister	443461	5662.99	1	0.711187	4	0.207505		0	0	-0.561
Iraq	Minister	205106	5802.98	1	0.199754	0			0	110	-0.004
Israel	Minister	305061	36749.6	1	0.382527	0	0.341956	0.012674	0	0	0.202
Jordan	Minister	36398.2	4060.96	1	0.086852	1	0.338708	0.017674	0	339	0.028
Kuwait	Minister	150278	40123.9	1	0.259023	0	0.131485		0	0	0.326
Lebanon	Minister	46176.2	8132.1	1	0.00772	1	0.165181		0	0	0.058
Madagascar	Minister	10251.1	429.341	0	3.13146	3	0.113658		0	303	0.049
Maldives	Minister	3228.93	7956.49	1		0	0.102687		0	0	0.025
Mauritius	Minister	12194.8	9667.66	0	7.58949	0	0.275668	0.134229	0	0	0.049
Mozambique	Minister	14698.3	534.914	0	4.53918	1	0.053986		0	366	0.041
Nepal	Minister	20432.9	717.038	1	0.920856	1	0.048797		0	143	-0.001
New Zealand	Minister	187950	41255.4	1	0.640508	0	0	0.017987	2	0	0.234
Peru	Minister	195893	6287.54	0	0.413622	1	0.256518	0.00566	0	392	-0.055
Portugal	Minister	214838	20682.4	0	0.032021	1	0.192201	0.413775	33	0	0.187
Qatar	Minister	180516	75208.7	1	0.288544	0	0	0.036054	0	0	-0.125
Republic of Moldova	Minister	7307.76	2055.36	1	0.046936	2	0.022128	0.000503	0	396	0.064
Romania	Minister	188814	9509.62	1	0.144693	2	0.430321	0.002756	2	567	0.079
Samoa	Minister	799.571	4143.79	0	39.55	0	0.103093	0.006009	0	0	0.029
Saudi Arabia	Minister	700926	22567.8	1	0.31302	0	0.131485	0.014725	0	0	1.319
Singapore	Minister	301115	54738.9	1	8.37065	0	0.067615	0.085466	0	0	0.176
Slovakia	Minister	94014.6	17343.1	1	0.111983	1	0.25991	0.694832	7	16	0.059
Slovenia	Minister	45996.5	22301.4	1	0.022752	2	0.209475	1.2614	7	0	0.085

Country	*BRI Forum Attendance*	*GDP*	*GDPPC*	*OBOR*	*FDI Dependence on China*	*Financial Crises*	*Variability of Capital Account Policy*	*Volatility of Portfolio Inflows*	*WTO Cases Against US*	*IMF Conditions*	*Governance Deficit*
Sweden	Minister	539813	55412.1	0	0.58753	3	0.108699	0.029604	33	0	0.567
Syrian Arab Republic	Minister	29005.1	1541.86	1	0.036433	0	0		0	0	0.15
Thailand	Minister	408281	5958.97	1	0.828198	2	0.117113	0.008849	5	0	-0.368
Timor-Leste	Minister	1384.24	1141.01	1	4.93141	0			0	0	0.024
Tonga	Minister	430.863	4060.39	0	1.79581	0	0.128061		0	0	0.03
Trinidad and Tobago	Minister	24290.1	17908	0	2.30594	0	0.249118		0	29	0.121
Tunisia	Minister	44769.4	3996.97	0	0.03661	1	0.091551		0	84	0.029
Ukraine	Minister	125279	2861.19	1	0.050088	5	0.083283	0.000254	0	451	0.274
United Arab Emirates	Minister	375079	41131.1	1	0.889089	0	0		0	0	-0.229
United Kingdom	Minister	2.80E+06	43162.1	0	0.5255	1	0	0.061349	33	0	1.944
Uruguay	Minister	55115.3	16091.1	0	0.292596	4	0.14983	0.01735	0	363	0.087
Vanuatu	Minister	783.169	2995.53	0	10.4377	0	0.039061		0	0	0.039
Venezuela	Minister	545302	11985.2	0	0.476737	4	0.33249		1	88	0.633
Yemen	Minister	37173.8	1404.86	1	1.0738	2	0.167909		0	225	0.064
Canada	Lower Official	1.70E+06	47081.9	0	0.524369	0	0	0.009808	16	0	1.138
Japan	Lower Official	4.80E+06	37979.8	0	0.055195	1	0.024277	0.014763	8	0	1.787
Mexico	Lower Official	1.20E+06	9523.89	0	0.043184	3	0.126199	0.003248	9	179	-0.472
Morocco	Lower Official	104686	2986.5	0	0.128095	1	0.081067	0.002015	0	72	0.022
Republic of Korea	Lower Official	1.40E+06	27086.3	1	0.229905	2	0.166887	0.006373	11	52	-0.253
United States of America	Lower Official	1.80E+07	55264.9	0	0.228168	1	0	0.001993	0	0	0.998
Algeria	Not Attending	186156	4729.81	0	1.21307	2	0		0	171	0.024
Andorra	Not Attending	3062.05	42427.7	0		0			0	0	
Angola	Not Attending	111071	4080.13	0	1.29428	3	0.08463		0	0	-0.021
Antigua and Barbuda	Not Attending	1318.76	13258.4	0	0.485306	0	0.116984		1	0	0.028
Austria	Not Attending	407505	47417.2	0	0.069745	1	0.082242	0.043911	33	0	0.517
Bahamas	Not Attending	8760.25	22788.3	0	0.463457	0	0.106909		0	0	0.072

Country	BRI Forum Attendance	GDP	GDPPC	OBOR	FDI Dependence on China	Financial Crises	Variability of Capital Account Policy	Volatility of Portfolio Inflows	WTO Cases Against US	IMF Conditions	Governance Deficit
Barbados	Not Attending	4433.31	15621.8	0	0.557597	0	0.081067		0	40	0.056
Belize	Not Attending	1707	4800.33	0	0.035882	0	0.128947		0	0	0.037
Benin	Not Attending	8934.55	858.085	0	0.864341	1	0.106909		0	262	0.031
Bhutan	Not Attending	2013.01	2572.83	1		0	0		0	0	0.025
Bolivia (Plurinational State of)	Not Attending	32615.5	3063.48	0	0.719925	2	0.124635	0.007471	0	330	0.035
Botswana	Not Attending	15220.2	6956.37	0	2.05584	0	0.317776		0	0	0.029
Bulgaria	Not Attending	53771.3	7468.12	1	0.335756	3	0.396062	0.015039	2	568	0.16
Burkina Faso	Not Attending	11899.8	667.379	0		2	0.106909		0	376	0.023
Burundi	Not Attending	2978.13	296.228	0	0.401427	1	0.083483		0	192	0.053
Cabo Verde	Not Attending	1725.21	3260.07	0	0.881343	1	0	0.001846	0	134	0.027
Cameroon	Not Attending	28559.7	1270.89	0	0.788104	3	0.081067		0	399	0.037
Central African Republic	Not Attending	1640.34	361.303	0	3.03732	2	0.100004		0	179	0.047
Chad	Not Attending	11840.4	863.388	0	3.26262	2	0.081067		0	271	0.033
Comoros	Not Attending	612.182	797.505	0	0.740792	1	0		0	6	0.029
Congo	Not Attending	11162.5	2278.86	0	7.96366	2	0.048797		0	210	0.034
Costa Rica	Not Attending	53169.2	11112	0		3	0.266039	0.009415	1	153	0.024
Cote D'Ivoire	Not Attending	33909.7	1485.11	0	0.299125	3	0.081067		0	240	0.09
Congo, Democratic Republic of	Not Attending	33807.5	450.47	0	7.40572	4	0.025474		0	175	0.186
Djibouti	Not Attending	1590	1741.91	0	4.03286	1	0.108699		0	193	0.037
Dominica	Not Attending	519.817	7123.53	0	0.860879	1	0.13617		0	121	0.029
Dominican Republic	Not Attending	66720.8	6371.61	0	0.00151	4	0.355016	0.004068	0	242	-0.01
Ecuador	Not Attending	98850.2	6170.09	0	1.05965	6	0.247125	0.007659	1	201	0.009
El Salvador	Not Attending	25563.7	4058.78	0		0	0.315465	0.013442	0	279	0.054
Equatorial Guinea	Not Attending	16436.4	14482.5	0	1.4256	1	0.048797		0	55	0.02
Estonia	Not Attending	24223.1	18405.2	1	0.014449	1	0.029559	0.252513	7	280	0.037

Country	*BRI Forum Attendance*	*GDP*	*GDPPC*	*OBOR*	*FDI Dependence on China*	*Financial Crises*	*Variability of Capital Account Policy*	*Volatility of Portfolio Inflows*	*WTO Cases Against US*	*IMF Conditions*	*Governance Deficit*
Gabon	Not Attending	16061.5	8485.06	0	1.32326	3	0.106909		0	291	0.06
Gambia (Republic of The)	Not Attending	914.074	469.183	0	0.205399	1	0.183464		0	182	0.037
Ghana	Not Attending	41663.7	1530.32	0	3.07479	3	0.100098		0	350	0.08
Grenada	Not Attending	938.584	8801.7	0	2.28136	2	0.113218		0	38	0.029
Guatemala	Not Attending	61276.1	3802.73	0		0	0.20841	0.001542	0	94	0
Guinea	Not Attending	6463.48	540.864	0	6.02659	3	0.084239		0	295	0.05
Guinea Bissau	Not Attending	1079.64	617.57	0		2	0.0642		0	113	0.028
Guyana	Not Attending	3173.12	4142.06	0	7.76398	2	0.352267		0	396	0.065
Haiti	Not Attending	8494.04	798.631	0		3	0.249913		0	181	0.044
Honduras	Not Attending	20154.4	2266.7	0	0.137489	2	0.185883		0	357	0.044
Iceland	Not Attending	17372.3	52748.7	0	0.006332	1	0.257666	0.101592	0	9	0.067
India	Not Attending	2.10E+06	1586.97	1	0.154	1	0	0.000247	10	55	-4.628
Ireland	Not Attending	268328	57452.2	0	0.129977	1	0.184327	0.476383	33	0	0.264
Jamaica	Not Attending	14115.8	4924.03	0	2.36069	4	0.253804	0.026276	0	172	0.119
Kiribati	Not Attending	174.777	1570.6	0		0			0	0	0.03
Latvia	Not Attending	29077.6	14635.5	1	0.002545	3	0.036135	0.018589	7	327	0.047
Lesotho	Not Attending	2397.06	1110.7	0	0.39611	0	0.035714		0	247	0.034
Liberia	Not Attending	2023.63	454.999	0	12.5028	1	0.28415		0	48	0.077
Libya	Not Attending	48169.4	7673.31	0	0.277484	1	0.045028		0	0	0.445
Liechtenstein	Not Attending	6527.62	176503	0	0.176519	0			0	0	
Lithuania	Not Attending	44789.9	15350	1	0.029432	2	0.121598	0.034343	7	355	0.028
Luxembourg	Not Attending	61525.6	109416	0	17.3128	1		2.04347	33	0	0.15
Malawi	Not Attending	5847.18	337.775	0	4.39802	1	0.094271		0	263	0.042
Mali	Not Attending	13402.3	778.352	0	2.40047	1	0.106909		0	380	0.039
Malta	Not Attending	10639.1	24747.2	0	0.430019	0	0.391189	0.375067	7	0	0.056
Marshall Islands	Not Attending	184.135	3478.46	0	48.7687	0	0.04857		0	0	0.03

Country	*BRI Forum Attendance*	*GDP*	*GDPPC*	*OBOR*	*FDI Dependence on China*	*Financial Crises*	*Variability of Capital Account Policy*	*Volatility of Portfolio Inflows*	*WTO Cases Against US*	*IMF Conditions*	*Governance Deficit*
Mauritania	Not Attending	5148.63	1253.26	0	2.46872	1	0.059699		0	493	0.036
Micronesia (Federated States of)	Not Attending	317.692	3046.75	0	5.4833	0	0.101594		0	0	0.03
Monaco	Not Attending			0		0			0	0	
Montenegro	Not Attending	4311.33	6931.74	1	0.031255	0		0.007784	0	0	0.031
Namibia	Not Attending	11831.5	4946.9	0	4.57529	0	0.035327	0.025287	0	0	0.058
Nauru	Not Attending	107.035	8945.75	0		1			0		
Netherlands	Not Attending	816870	48329.9	0	1.47031	1	0	0.038957	33	0	1.348
Nicaragua	Not Attending	12210.5	2017.5	0		3	0.304388	0.015588	0	306	0.052
Niger	Not Attending	7641.3	392.242	0	5.00795	2	0.108783		0	297	0.043
Nigeria	Not Attending	492404	2762.95	0	0.476617	4	0.133672	0.000539	0	50	-0.23
Norway	Not Attending	444555	86308.4	0	0.905876	1	0.198217	0.057193	1	0	0.471
Palau	Not Attending	265	12488.3	0	4.0934	0			0	0	0.03
Panama	Not Attending	50335.5	12773.5	0	0.586351	1	0	0.034291	0	121	0.034
Papua New Guinea	Not Attending	21321.2	2829.34	0	5.46877	1	0.226268		0	221	0.055
Paraguay	Not Attending	28642.6	4345.58	0	0.165811	3	0.189015	0.000018	0	152	0.017
Rwanda	Not Attending	8068.97	702.158	0	1.22996	1	0.200915		0	446	0.042
Saint Kitts and Nevis	Not Attending	857.329	15867.5	0		0	0.106909		0	0	0.029
Saint Lucia	Not Attending	1378.5	7795.32	0		0	0.124074		0	0	0.038
Saint Vincent and the Grenadines	Not Attending	739.4	6755.79	0	5.30024	0	0.106909		0	0	0.029
San Marino	Not Attending	1715.05	54166.4	0		0	0.107338		0	0	0.038
Sao Tome and Principe	Not Attending	330.035	1705.52	0		2	0.289875		0	141	0.029
Senegal	Not Attending	14623.8	992.039	0	0.835741	2	0.106909		0	320	0.058
Seychelles	Not Attending	1424.66	15431	0	10.961	2	0.215898	0.029314	0	5	0.028
Sierra Leone	Not Attending	4464.04	625.703	0	3.59103	3	0.151579		0	351	0.061
Solomon Islands	Not Attending	1136.89	1954.42	0		0	0.106909		0	0	0.029

Country	*BRI Forum Attendance*	*GDP*	*GDPPC*	*OBOR*	*FDI Dependence on China*	*Financial Crises*	*Variability of Capital Account Policy*	*Volatility of Portfolio Inflows*	*WTO Cases Against US*	*IMF Conditions*	*Governance Deficit*
Somalia	Not Attending	5785.25	421.413	0		0			0	0	0.036
South Africa	Not Attending	332430	6099.99	1	1.62276	1	0.092266	0.009686	0	0	0.138
South Sudan	Not Attending	11851.6	1032.23	0		0			0	0	0.059
Sudan	Not Attending	86739.5	2265.37	0	1.7777	1	0.146867		0	0	-0.047
Suriname	Not Attending	4721.45	8588.1	0	2.35341	3	0.07799		0	0	0.062
Swaziland	Not Attending	4231.7	3243.71	0		1	0.106909		0	0	0.04
Tajikistan	Not Attending	8137.02	964.799	1	10.4599	1	0.07713	0.000063	0	329	0.039
Macedonia, The FYR	Not Attending	10782.8	5188	1	0.019499	1	0.128247	0.001201	0	32	0.035
Togo	Not Attending	4262.86	582.29	0	2.96919	3	0		0	173	0.05
Turkmenistan	Not Attending	38675.3	7022.2	1	0.700027	2	0.084575		0	0	-0.017
Tuvalu	Not Attending	35.6186	3252.9	0		0			0	0	0.03
Uganda	Not Attending	26547.8	672.718	0	2.42626	2	0.35859		0	355	0.03
United Republic of Tanzania	Not Attending	46397.5	900.898	0	2.11892	2	0.052044		0	250	-0.011
Zambia	Not Attending	23975.4	1520.29	0	9.86583	4	0.398956		0	251	0.166
Zimbabwe	Not Attending	15854.8	1016.48	0	10.808	4	0.142176		0	134	0.142

Notes: GDP is gross domestic product in billions of current U.S. dollars averaged over 2013-2016. GDPPC is gross domestic product per capita in current U.S. dollars averaged over 2013-2016. OBOR is equal to 1 if a nation is geographically positioned along the One Belt, One Road trade routes, 0 otherwise. FDI DEPENDENCE ON CHINA is FDI inflows from China as share of a nation's GDP. FINANCIAL CRISES is a count of systemic financial crises between 1990 and May 2017. VARIABILITY OF CAPITAL ACCOUNT POLICY is the standard deviation of the normalized Chinn-Ito index of financial openness between 1990 and 2015. VOLATILITY OF PORTFOLIO INFLOWS is the average volatility of net portfolio inflows into a country between 1990 and 2016. IMF CONDITIONS is a count of hard IMF conditions between 1990 and 2014. WTO CASES AGAINST THE U.S. is the cumulative count of WTO cases filed by a nation against the U.S. between 1995 and May 2017. GOVERNANCE DEFICIT is the difference between a nation's vote share in the IMF and its GDP share of world GDP.

Appendix Table A2: Variable Descriptions and Data Sources

Variable	Description	Data Source
ATTENDANCE	Head of state (president or prime minister) attended the Belt and Road Forum for International Cooperation on 14-15 May 2017; 1=Yes, 0=No.	Belt and Road Forum's Official Website: http://www.beltandroadforum.org/english/n100/2017/0516/c22-423.html
ORDERED ATTENDANCE	Head of state attendance at the BRI Forum = 2, Cabinet minister attendance = 1, and lower-level official or non-attending = 0	Compiled by the authors from the official website of the Chinese Foreign Ministry and Google searches
OBOR	Equal to 1 if a nation is geographically positioned along the *One Belt, One Road* trade routes, 0 otherwise.	Belt and Road Official Website: https://eng.yidaiyilu.gov.cn/info/iList.jsp?cat_id=10076.
FTA	Free Trade Agreement with China. 1=Yes, 0=No. China has Preferential Trade Agreements (PTAs) with Bangladesh, India, Lao, Republic of Korea and Sri Lanka via the Asia-Pacific Trade Agreement. We include these PTAs in our measure	Authors' calculation using the official website of Chinese Ministry of Commerce at http://fta.mofcom.gov.cn/english/index.shtml
FINANCIAL CRISES	Cumulative count of major financial crises, 1990-May 2017	Laeven and Valencia (2012), extended to May 2017 by authors' Google search
VARIABILITY OF CAPITAL ACCOUNT LIBERALIZATION	Standard deviation of the normalized Chinn-Ito index of financial openness (ka_open) between 1990 and 2015	Calculated from updated Chinn and Ito data at http://web.pdx.edu/~ito/Chinn-Ito_website.htm (accessed on 12 July 2018)
VOLATILITY OF PORTFOLIO INFLOWS	Average volatility of partner's portfolio net inflows (1990-2016), calculated as the average of yearly standard deviation of the absolute values of the quarterly residuals derived from an ARIMA regression of partner's quarterly portfolio net inflows as share of its GDP between 1990Q1 and 2016Q4. See Broto et al (2011)	Authors' work based on raw data from International Financial Statistics (IFS), and quarterly GDP data for Egypt, Jordan, Kazakhstan, Malta, Mexico, Mongolia, Morocco, Netherlands, Panama, Paraguay, Portugal, Saudi Arabia, South Africa, Spain, Sri Lanka, Tajikistan, Ukraine and the U.S. from the CEIC global database
IMF CONDITIONALITY	Cumulative count of IMF conditions, 1990-2017	Kentikelenis, Stubbs, and King (2016). "IMF Monitor" http://imfmonitor.org/downloads.html. We used the variable "cBATOT."
WTO CASES AGAINST THE U.S.	Cumulative count of WTO cases filed against the U.S. between 1995 and May 2017	Authors' work based on data from the WTO: https://www.wto.org/english/tratop_e/dispu_e/find_dispu_cases_e.htm.
GOVERNANCE DEFICIT	IMF vote share minus PPP share of world economy in 2015 (before the implementation of the IMF's 2010 governance reform)	IFS, World Development Indicators (WDI)

Variable	Description	Data Source
BIT	Bilateral investment treaty with China. 1=Yes, 0=No.	Official website of Chinese Ministry of Commerce http://tfs.mofcom.gov.cn/article/Nocategory/201111/20111107819474.shtml
FDI DEPENDENCE ON CHINA	Inward FDI from China as share of GDP, in percent, averaged over 2013-2016	Authors' calculation using the CEIC database (https://www.ceicdata.com/en), WDI, and the United Nations Conference for Trade and Development (UNCTAD)
IDEAL POINT DISTANCE WITH USA	Estimated ideal point distance with US derived from voting records in the United Nations General Assembly, averaged over 2013-2014	Bailey, Strezhnev and Voeten (2017)
REGIME TYPE	POLITY IV democracy score. Ranges from -10 (strongly autocratic) to 10 (strongly democratic)	POLITY IV. http://www.systemicpeace.org/inscrdata.html
LEADER IDEOLOGY	Leader's ideology, 1 = right, 2 = center, 3 = left, and 0 if none	Authors' calculation based on data from the Political Handbook of the World 2016-2017, updated to May 2017 by authors' Google search if the regime change or leader change happened in a country after the Handbook was published.
ECONOMIC SIZE	National GDP as share of world GDP, in percent, averaged over 2013-2016	Authors' calculation based on data from WDI and World Economic Outlook (WEO)
GDP GROWTH	Real GDP per capita growth, in percent, averaged over 2013-2016	Authors' calculation based on WEO data