

# When Issues Manifest? Globalization Backlash, Contested Issues, and the Liberal International Order

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## Abstract

How do issues of the Liberal International Order (LIO) shape order contestation? Decades of globalization has presented the LIO with mounting issues. I address this timely question by developing an issue-based theory of state disengagement that highlights two mechanisms. First, contested issues do not automatically yield gains for rising powers; complicated by globalization interdependency, the credibility of rising powers as outside options can become endogenous to issues, reducing the likelihood of LIO disengagement while increasing order resilience. Second, even given exogenous outside options, due to LIO's high disengagement costs with uncompetitive challengers yet, only helpless issues – severe, persistent, and systemic problems that states cannot resolve alone – generate stay costs large enough to erode loyalty, making disengagement possible in this case. I test the theory in the context of global imbalances, a substantively important, contentious yet understudied issue, and across ten major LIO issues. States' support for China increases facing current-account-balance (but not trade-balance) problems, due to China's controversial trade practices *vis-à-vis* financial appeal, and the support diminishes as bilateral trade imbalances grow. Non-helpless issues show no effects. Employing multiple identification strategies, an LLM-based global media analysis, and qualitative cases, with mechanism evidence from UNGA voting and support for Russia's war, I show how issue characteristics shape globalization backlash, great-power competition, and LIO's future.

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# 1 Introduction

The LIO is in crisis mode with a multitude of *issues* or *challenges*,<sup>1</sup> rooted in the very neoliberal globalization it has shaped (Broz et al. 2020; Rodrik 2019; Walter 2021) – on which Lake et al. (2021) remark “this time might be different.”<sup>2</sup> The seemingly persistence of crisis lies in many of its structural issues, ranging from internal challenges, including financial crises, governance deficits, developmental inequality, and even Trump’s disregard for LIO rules, to external pushback from autocratic and revisionist states on its normative foundations (Ekiert and Dasanaike 2024). Many issues are both high-level LIO contestations and concrete problems states wrestle with; they differ in form but share analytical similarities as explained below.

Studying the LIO is important but statistically challenging because the order itself as a singular macro-structure has limited variation. This paper instead seeks to explain when, how, and which LIO’s issues may lead states to lose support or side with challengers. Understanding this is crucial for both the LIO’s influence, legitimacy, and viability (Gray 2018; Ikenberry 2011; Keohane 1984) and the returning great-power competition, especially given the hegemon’s inconsistent commitment while an authoritarian rising power promotes a competing vision (Doshi 2021; Lake et al. 2021). Existing studies suggest problematic issues within institutions result in diminished legitimacy and weakened performance (March and Olsen 1984; North 1990; Pierson 2000); however, an international order is vastly different from typical domestic or international organizations (IO). Classical power-transition or order theory predicts power shift causes rising powers’ dissatisfaction, while ignoring issue-specific grievances and other states’ behavior and assuming outside options as *exogenous*. Yet the assumption fits poorly with the complex, interdependent realities of contemporary globalization.

As an example, global imbalances have become a contentious LIO issue that “dominates policy debate” (Chinn and Ito 2022), though remaining little studied in political science.<sup>3</sup> Generated through globalization, global imbalances entangle states and carry implications for LIO contestation and great-power politics. The United States, LIO’s hegemon, has run decades of staggering external deficits (Figure 1) and responded with norm violations, disengagement from institutions such as the WTO, and a global trade war to remedy imbalances. By contrast, China, the major LIO challenger

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<sup>1</sup>Issues are defined as challenges or problems in this paper, rather than issue-areas.

<sup>2</sup>Though a contested concept, I follow Lake et al. (2021) in defining the LIO as the West-led international order with liberal characteristics and several sub-orders. The liberal economic sub-order directed by U.S.-led institutions, such as the World Bank, IMF, and WTO, largely shaped economic globalization.

<sup>3</sup>Global imbalances refer to the phenomenon that half of the world experiences almost persistent external deficits since the 1970s (Figure 1, including current account and trade imbalances).

whose trade surplus exceeds \$1 trillion, defends its leadership in free trade; Yet, in the 1980s it had to cut back scarce investments to restore balance-of-payment sustainability when then Chinese economic czar Chen Yun abhorred the ballooning imbalances (Feeney 1989; Zweig 2002).<sup>4</sup> Other states express frustration or even helplessness, with Pakistan lamenting “... persistent current account deficit and huge trade imbalance ... haunting our economy for long but unfortunately no solution.”<sup>5</sup> Some develop complex responses: many worried African countries, while supporting China’s financial leadership for loans and investments, blame China for widening their imbalances.<sup>6</sup> Notably, global imbalances appear to favor authoritarian states.<sup>7</sup>

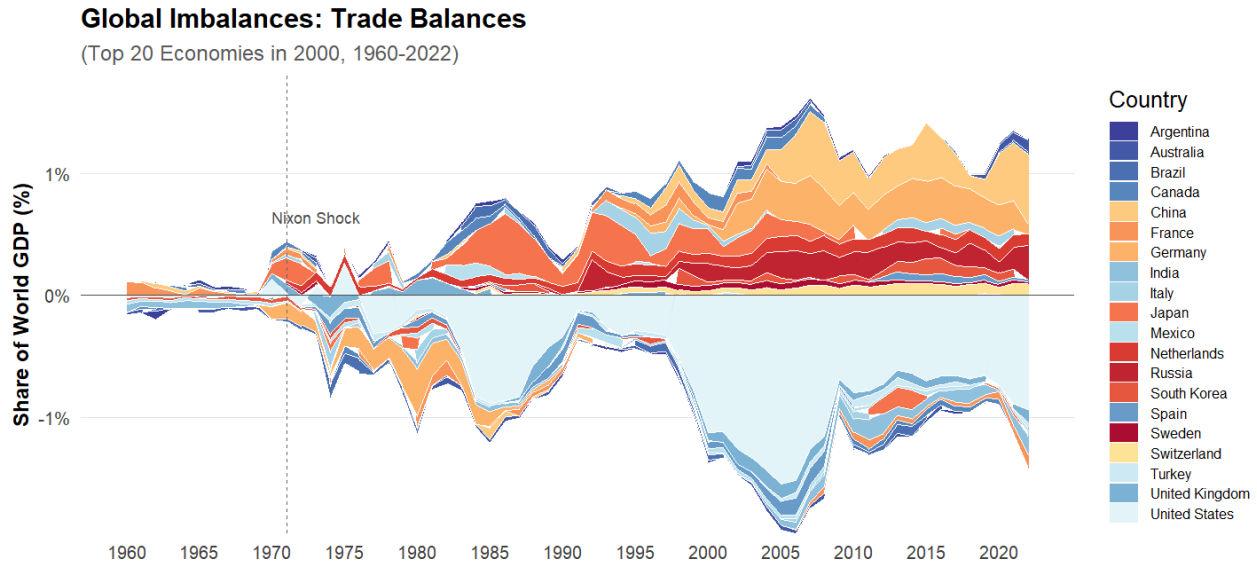


Figure 1: Global Imbalances in Trade Balance. *Note:* data from the World Bank. See similar patterns for current account balance in Figure A.1.

I develop an issue-based theory of order contestation focusing on states’ support for order challengers. I argue that contested issues, states, and outside options jointly shape disengagement through two related mechanisms, more complex than in classic transition or order theories. The first concerns *endogenous* outside options, meaning the credibility of rising powers as alternatives changes once they may themselves be implicated in the very issues, as globalization has built intertwined interdependency. When this happens, it can reduce the disengagement likelihood. For

<sup>4</sup>Four decades later, persistent trade surpluses have transformed China from a prudent spender into a global creditor holding trillions in reserves. Half of China’s surplus comes from trading with the U.S.

<sup>5</sup>Pakistan and Gulf Economist (2022), the leading Pakistan business magazine.

<sup>6</sup>“Insight: Africa’s dream of feeding China hits hard reality,” Reuters, 28-June-2022. China maintains trade surpluses with over 90% of all countries (see Figure A.3).

<sup>7</sup>Strikingly, autocracies are correlated with higher persistent external surpluses (see Figure 2, and in 2022, China, Russia, and Saudi Arabia are top-three surplus countries).

instance, one is unlikely pushed to the USSR or China over proliferation or import-competition concerns within the existing order. Consequently, this may reduce dissenters’ bargaining leverage (Lipsy 2015), while paradoxically strengthening LIO’s resilience by retaining states and discrediting alternatives.

Moreover, a related question is whether states may shift support away from an highly institutionalized order like the LIO, which carries uniquely high disengagement costs (e.g., sunk, opportunity, reputational) with institutionally inferior outside options that offer limited, future-discounted benefits of shift.<sup>8</sup> Rationalist approaches predict no disengagement while *loyalty* in behavioral accounts (Hirschman 1970) deters “exit.” I argue, however, that disengagement becomes rationally feasible (only) when issues impose sufficiently large pain or *stay costs*.<sup>9</sup> Loyalty decreases with pain but non-linearly; when issue-generated pain surpasses a threshold, it can rapidly collapse loyalty states attach to the order (Scarry 1985; Wintrobe 1990) – expected long-term returns, identity-based affinity, or social benefits (Hirschman 1970; Johnston 2001) – making disengagement possible even absent competitive challengers. For observable implications, I propose a typology of “*helpless issues*,” which I identify as critical, persistent, and systemic ones individual states cannot resolve unilaterally. Helpless issues, like persistent global imbalances and financial crises, score high on all four defining dimensions, namely stubbornness, severity, attributability to the order, and unaddressability – producing stay costs large enough to erode loyalty. Conversely, when any dimension is low (that is, non-helpless), stay costs remain insufficient and disengagement becomes irrational.

I test the theory using global imbalances through a comparative lens with a series of major LIO issues to examine within-issue mechanisms and cross-issue variation. The empirical focus is for its substantive importance and also illuminating the nature of a politically understudied globalization phenomenon. Moreover, global imbalances are ideal due to its domestic impact, contentious nature among states, helpless-issue dimension applicability, and nuanced connections to China on trade *vis-à-vis* finance; these analytical variables also appear in other issues, enabling external validity.

Empirically, global imbalances are shown to be correlated with long-term development performance disparities connected to widespread concerns, potentially delineating state-level “winners/losers” informing policy debate. For the main hypotheses, I employ varied identification strategies with extensive robustness checks. Consistent with the theory, states with higher persistent current account (but not trade) deficits are more likely to support Chinese leadership, as

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<sup>8</sup>See Section 3 for details.

<sup>9</sup>Note that support shift, rather than exit, doesn’t eliminate issue-caused pain.

current account falls within the financial domain where China is less controversial. Notably, the effect of current account is indistinguishable across geopolitical relations, race, or regime type, suggesting broader applicability. The same mechanism is double supported by examining bilateral relations – China’s implication in the issue proxied by larger bilateral deficits significantly moderates support shift, mirroring the concerns of African countries above. Furthermore, joint tests across ten major LIO issues reveal that only “helpless issues” trigger disengagement – a finding further supported across four “helpless” dimensions by an LLM-based analysis of the universe of news articles capturing global perceptions of these issues. Finally, a qualitative case of a G7 country, Italy, an arguably “hard” case, further validates the core mechanisms, as well as additional evidence for the key logic – dissatisfaction causes behavioral changes – in UNGA voting and supporting Russia’s war, with the latter supporting the mechanism of loyalty.

This paper makes several contributions. First, apart from empirically understanding understudied global imbalances, it advances scholarship on globalization backlash by shifting attention from domestic reactions (Autor et al. 2020; Chilton et al. 2017; Walter 2021) to issue-based mechanisms of order contestation, clarifying how outside-option endogeneity and issue heterogeneity shape LIO stability and great-power politics. This helps diagnose the source of crisis and guide policy priorities. Second, it refines power-transition and order theories (Organski and Kugler 1980, Gilpin 1981, Ikenberry 2011) by disentangling the underlying mechanism. The more deeply an outside option is implicated in a contested issue or the lower the stay cost the issue imposes, the less credible disengagement is and the more gradual a potential order transition becomes. Third, it adds to growing literature on how economic interdependence shapes international politics (Lipsky 2015; Gray 2018; Zürn 2018), showing interdependence as simultaneously undermining and sustaining the LIO. LIO-shaped interdependence has agitated the hegemon, empowered rising powers, and fueled dissatisfaction, yet embedding all parties in contested issues.

Together, these findings offer novel insights for how the LIO is contested and how great-power competition plays out today. Issues differ not only in the grievances they produce, but also in how they interact with the credibility of outside options. This variation explains why many states express dissatisfaction yet do not fully support rising powers. This inadvertently increases LIO’s resilience while explaining why China seems struggling to form a competitive order albeit economically powerful.<sup>10</sup> Yet, the turning point, as shown in the theory (Section 3), is when China’s option

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<sup>10</sup>Interestingly, the U.S. is competing with China mainly through finance, aid, and infrastructure, but limited in trade, governance, or civil society where China is problematic – appearing consistent with my theory.

becomes competitive given its rising trend facilitated by the global economy, and an LIO which is actively being damaged by the hegemon.

## 2 Substantive Context: LIO’s Issues and Global Imbalances

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

– Paul Krugman (2019)

*“... large and persistent imbalances are not sustainable for the United States, and ultimately, ... for other economies.”*

– Treasury Secretary Scott Bessent (2025)

Seven decades after World War II, the LIO – widely credited with advancing peace and prosperity – is confronting a complex array of challenging issues spanning the economic, social, political, security, and ideational realms (Ikenberry 2011; Lake et al. 2021; Rodrik 2019). Examples include economic inequality, financial instability, unrepresentative institutions, militarized conflicts, and ideological confrontation. Many of these problems stem from the very rules and institutional design of the order – especially the post-1970 neoliberal turn that greatly liberalizes global trade, finance, market, information, and other forms of flows and exchange (Blyth 2002; Helleiner 1994; Slobodian 2018; Williamson 1990), *vis-à-vis* the earlier, more harnessed “embedded liberalism” era (Ruggie 1982). These issues differ in attributes and elicit varied reactions from member states, reflecting distributional tensions and perceived inequities in the order’s operation. Some problems, such as recurrent financial crises, have long afflicted states, while others, such as WTO governance deficits, attract comparatively less concern.

Global imbalances remain a salient LIO issue, defined as long-run cross-country differences in current account and trade imbalances (Barattieri 2014; Blanchard and Milesi-Ferretti 2009; Chinn and Ito 2022).<sup>11</sup> Their early emergence dates to the early 1970s, when the Nixon administration adopted floating exchange rates and accelerated the liberalization of global finance and trade (Chinn

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<sup>11</sup>Current account includes trade balance, net foreign income, and net transfer payments.

and Ito 2022; Dooley et al. 2003). Global imbalances indicate structural threats to economic development and stability (Obstfeld and Rogoff 2009) and are regarded as “probably the most complex macroeconomic issue” (Blanchard and Milesi-Ferretti 2009) that “dominate policy debate” (Chinn and Ito 2022). Their key characteristics are non-randomness, persistence, and high magnitude.<sup>12</sup>

Global imbalances’ LIO-related causes are roughly divided into financial and trade explanations (Barattieri 2014). Financial causes include over-consumption (often through foreign borrowing) (Obstfeld and Rogoff 2009). For advanced economies, “safe assets” attracting global capital inflate prices, exchange rates, and imports (Caballero et al. 2008; Mendoza et al. 2009) – echoing the “saving glut” hypothesis (Bernanke 2011). Trade causes include weakened industry or export sector, asymmetric trade costs (Cuñat and Zymek 2022), or mercantilist trade policies (Dooley et al. 2003).<sup>13</sup>

As for impacts, as income-expenditure differential, persistent external deficits contribute to high debt and insolvency risks (Frieden and Walter (2017), see Figure 2), economic instability (Obstfeld and Rogoff 2009; Bernanke 2011),<sup>14</sup> and low levels of domestic investments and innovation (Graham et al. 2014; Benigno et al. 2025).<sup>15</sup> Many debt-replete developing nations rely on capital inflows (e.g., loans) to finance deficits, while many surplus countries become global creditors. Moreover, imbalances are linked to “demand distribution” (Chinn and Ito 2022), where foreign demand is “won,” for instance, through “beggar-thy-neighbor” trade practices. This is important, as the majority of gains in productivity, income, and innovation comes from exports (Bernard et al. 2018; Ohlin 1933).<sup>16</sup>

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<sup>12</sup>*Non-randomness* refers to the fact that there is a relatively fixed divide between specific surplus and deficit countries (Figure 5). Between 2000 and 2017, 95 of 153 countries (as reported by the World Bank) recorded average trade deficits. *Persistence* implies stubborn imbalances temporally. In terms of *magnitude*, half of the countries, mostly in the Global South, have average external deficits exceeding 5% to 15% of GDP (Figure A.2)

<sup>13</sup>Epifani and Gancia (2017) show that undervalued exchange rates allow a country to run surpluses and agglomerate global production.

<sup>14</sup>Debt increases even when temporary deficits reflect economic booms; Global imbalances significantly contributed to the 2008 Financial Crisis (Obstfeld and Rogoff 2009).

<sup>15</sup>Even the “exorbitant privilege” of the U.S. that allows cheap financing distorts the economy by inflating prices and crowding out real economy (Blanchard and Milesi-Ferretti 2009; Oatley 2015), which undermine U.S. innovation (Benigno et al. 2025).

<sup>16</sup>E.g., China represents 12% in global consumption share but 32% in manufacturing output (2020, World Bank) and foreign demand promotes domestic economy (Jeanne 2021).

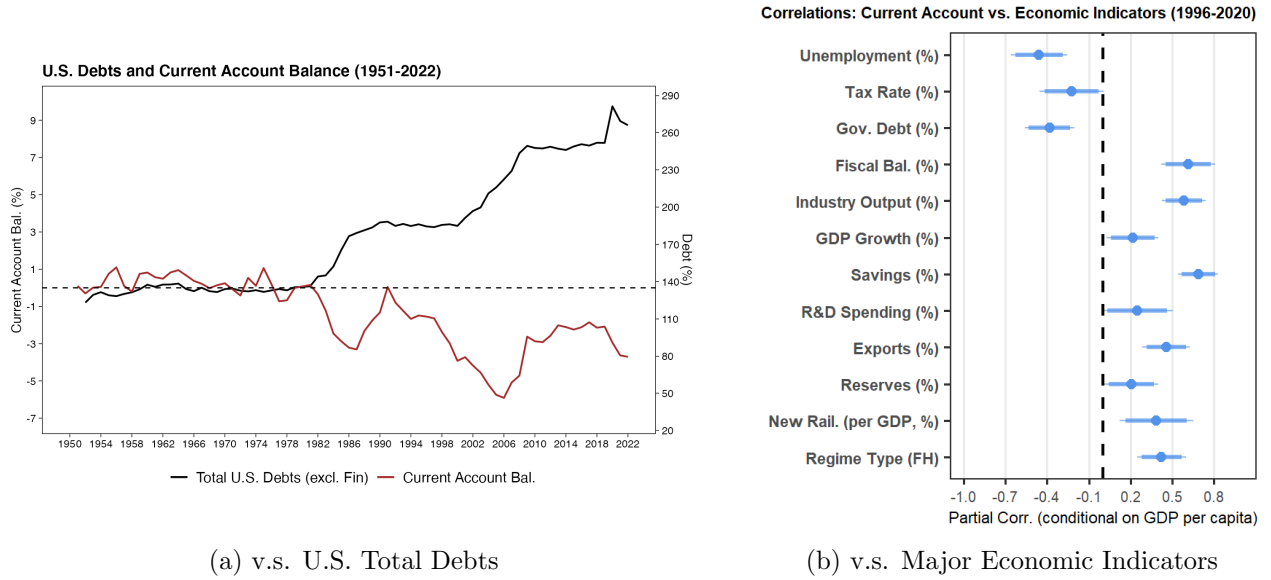


Figure 2: Current Account Balance and Economic Indicators. *Note:* Graph (a) depicts the temporal relationship between U.S. total debt and current account balance; it matches well the income-expenditure differential logic and is more of a saving drought than an investment boom (Chinn and Ito 2022). Graph (b) depicts partial relations between long-run current account balances and major development indicators, conditional on GDP per capita for similar income-level comparisons.

Unsurprisingly, surplus countries appear to be “winners”: they possess stronger industrial bases (Epifani and Gancia 2017), higher productivity growth and R&D intensity, and greater export capacity (Buera and Kaboski 2012; Greenstone et al. 2010). Three surplus-concentrated areas – core Europe, East Asia, and the Gulf region – often exhibit envied economic and fiscal performance. Within the Eurozone, deficit countries like Greece, Portugal and Spain, perform poorly compared to surplus countries like Germany, the Netherlands and Switzerland. 17 of the 20 highest R&D spenders have maintained surpluses for decades.<sup>17</sup> Figure 2 (b) shows that multi-decade surpluses correlate with stronger development outcomes.<sup>18</sup> Noteworthy is that surplus country that has better development performance counterintuitively has lower tax rate and debt.

The above relationship implies a deeper connection between national economic performance (and its grievances) and global imbalances beyond conventionally acknowledged.<sup>19</sup> As we will see, the relationship is twisted with states’ perceptions, playing a key role in my theory.

<sup>17</sup>See <https://ourworldindata.org/grapher/research-spending-gdp> (accessed on September 10, 2024).

<sup>18</sup>Among top 120 countries sorted by GDP (2020), conditional on per capital GDP of the starting year 1996.

<sup>19</sup>For example, Roubini (2001) claims that whether deficit matters depends on the debt-to-GDP ratio.



### 3 An Issue-based Theory of Order Contestation

Contestation is inevitable if issues create winners and losers. I develop an issue-based theory on the micro-foundation for understanding how dissatisfaction emerges, accumulates, and ultimately transforms state support for the LIO. An international order can be impacted by violating rules and norms, waging conflicts, subverting institutions, or abandoning support. Among all, constituent support is fundamental to the durability of the LIO (Ikenberry 2011), hence my theoretical focus and the importance of understanding its causes. As the rising power, China actively leverages globalization gains (e.g., foreign reserves through surplus (Liu 2023)) to formulate challenges, often targeting LIO’s issues (Broz et al. 2020; Doshi 2021; Lake et al. 2021). This provides an empirical setting in which the theory is developed and tested.

Traditional power transition theory highlights balance-of-power shift and the rising powers’ dissatisfaction (Organski and Kugler 1980). Yet contemporary transitions hinge less on major wars but by shifting alignments among “voters” – states deciding whether to sustain or defect from an order (Broz et al. 2020; Ikenberry 2011). The classical framework also overlooks two key elements: how issues and challengers themselves shape contestation. China’s ascent through deep integration into the LIO differs markedly from historical ones like Germany or the Soviet Union. Decades of globalization have created complex interdependency that inevitably binds China to many of the contested issues. I highlight two mechanisms: 1) outside option credibility depends on its relationship to the issue. 2) issue-generated grievances can erode loyalty to the LIO, but only a subset of severe, persistent “helpless issues” are sufficiently intolerable to induce support shift toward uncompetitive challengers (such as China of recent years).

#### **Psychological and Behavioral Shift**

A central reaction of states (or state leaders who drive policies) to LIO’s issues is psychological grievances (Broz et al. 2020; Lake et al. 2021). Contested issues reflect institutional arrangements and distributional consequences that advantage some while disadvantaging others. In domestic politics, grievances trigger demands for protectionism, support for populists, redistribution, or social movements (Autor et al. 2020; Colantone and Stanig 2018; Tarrow 1998). Aggregated through varied political institutions, these individual-level sentiments influence foreign policymaking (Moravcsik 1997). Often those who care more possess concentrated political power (e.g., elites or industry associations) than silent, dispersed individuals (e.g., consumers). Tensions arise when leaders associate

domestic problems with issues, or when politicization occurs (Walter 2021).

Over time, for leaders who rightly attribute their issues to the LIO, grievances that emerge from the very operation of the order shape states’ incentives to sustain, reform, or disengage from it.<sup>20</sup> Rational-choice institutionalism or IO theory predicts that states support an order (or an institution in general) due to satisfactory outcomes (Hall and Taylor 1996; Ikenberry 2011; Keohane 1984). It follows that, as grievances accumulate, states’ support declines, so does the *loyalty* value – the intrinsic and long-term surplus from remaining committed to the LIO. Severe grievances imply that continuing to follow LIO rules (e.g., on currency, capital, or trade) yields net negative utility, suggesting that loyalty may turn negative (explained more below).

The IO literature suggests “exit” in this case. IOs that fail to meet expectations can experience abandonment (Gray 2018). Exit becomes an option if status quo is unsatisfactory, as exemplified by the U.S. leaving the Trans-Pacific Partnership or Brexit. These dynamics echo Hirschman (1970)’s “exit, voice and loyalty” framework and the psychological and constructivist arguments linking (non)material gains or loss to deference/conflict patterns (Dafoe et al. 2014).

However, an order like the LIO differs fundamentally from typical institutions: given (at least currently) limited, uncompetitive outside options (Lipsky 2015), dissatisfied states rarely “exit” outright and an exit should be considered *broadly*. Dissatisfied states engage in partial disengagement, like seeking outside options or leadership support shift, albeit similar logic. We should also expect higher bars due to LIO’s high disengagement costs. Beyond the sunk costs a state has incurred within the LIO (e.g., years of negotiation and compliance), LIO institutions systematically favor states with closer ties to Western powers, implying high opportunity costs (Carnegie and Clark 2023). Moreover, supporting a less competitive, autocracy-led order entails high reputational (or audience) and uncertainty costs. On the other hand, a nascent China-led order, as of recently, lacks networked institutions, transparent rules and enforcement, and multilateral checks. In terms of markets, security, institutions, and norms, it provides limited benefits.

Partial disengagement still is a costly signal for future alignment especially in a bipolar world (Ikenberry 2011; Mearsheimer 2001), and any support shift undermines LIO’s legitimacy and impedes cooperation. Note also the logic above is mainly a “push” story rather than pure “pull” by benefits – that is – it relates to *both* the LIO and China (see Alternative Explanations). Nonethe-

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<sup>20</sup>I do not distinguish between the LIO and its economic sub-order, since: 1) the LIO operates as an integral system (Lake et al. 2021), 2) many states (especially in the Global South) complain about the order and do not share/distinguish its sub-order nuances, and 3) China’s emerging order is arguably all-encompassing.

less, as I further argue, two mechanisms complicate the transition process: 1) how outside option relates to the issue, and 2) tolerability of the issue itself. Below, I combine rational-choice and sociological approaches centered on three analytical components that shape disengagement decisions (Hirschman 1970; Johnston 2001; Keohane 1984; Koremenos et al. 2001): disengagement costs, disengagement benefits, and the loyalty value to the LIO.

**Outside Option Endogeneity.** Traditional order or transition theories assume rising powers as outside options are exogenous as given (Ikenberry 2011; Organski and Kugler 1980), whereas IO literature primarily examines how the creditability of outside options to usual IOs depends mechanically on issue-areas (Lipsky 2015; Veoten 2001), paying limited attention to how they interact with specific issues at stake. A challenger may be unrelated to or alleviate certain issues, but worsen others.

Following rational-choice and sociological institutionalism, I model the disengagement likelihood as a function of the expected, externally imposed *costs* and *benefits* of disengagement, as well as the internalized *loyalty* value to the LIO.<sup>21</sup> Disengagement costs, even for symbolic support, include risks of losing LIO’s favors (Carnegie and Clark 2023; Ikenberry 2011), potential diplomatic punishment, and reputational or uncertainty costs of backing an autocracy-led order, which includes investor reactions and domestic elite concerns about perceived geopolitical shift. Disengagement benefits include prospective gains from realignment, potential issue relief, or increased bargaining power within the LIO. Loyalty reflects non-transactional attachment to an institution and is the central theoretical mechanism that accounts for institutional stickiness – examples include anticipated long-term institutionalized rewards, identity and ideology-based affinity, and social benefits such as trust and status (Keohane 1984; Koremenos et al. 2001; Johnston 2001). Loyalty differs from disengagement costs in that it’s less transactional and immediate and reflects the intrinsic surplus of attachment – an informal barrier to exit (Hirschman 1970). In total, when the utility turns positive, shifting support becomes likely.

Outside options alter the above calculus by contributing to or worsening the issues. This in turn affects challengers’ credibility – I term this as outside option endogeneity. In a baseline scenario where the outside option is exogenous, a given level of utility produces a corresponding likelihood of disengagement. But if the challenger is implicated in the issue, expected relief declines and some loyalty to the LIO is restored, reducing the net utility of disengagement. In other words,

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<sup>21</sup>This echos the logic of consequences and appropriateness (March and Olsen 1998).

the likelihood of support shift diminishes.<sup>22</sup> As such, the mechanism reflects “interdependence resilience”: interdependence that empowers the rising power entangles it in the contested issue it can otherwise exploit.

**Issue Intolerance Heterogeneity.** Issues vary in their tolerability and thus generate different levels of stay costs or pain within the LIO. Pain can push states away, but loyalty simultaneously deters “exit” (Hirschman 1970). When outside options are competitive, the net benefits of disengagement may be positive, and states can be pulled toward an alternative. But when outside options are uncompetitive – as with a highly institutionalized, networked LIO relative to a nascent China-led order – disengagement costs can outweigh any discounted, future benefits. As a result, mild or temporary issues rarely justify realignment, especially because shifting support does not eliminate stay costs in the way complete exit may.

Loyalty declines as pain increases, but in a nonlinear manner. When stay costs cross a *threshold*, severe pain can rapidly deconstruct loyalty (Kuran 1991; Scarry 1985; Wintrobe 1990), pushing it toward or below the indifference point (loyalty = 0). Negative loyalty not just means loss of faith, but that the LIO becomes actively toxic. In such circumstances, even uncompetitive outside options may appear attractive.<sup>23</sup> The threshold and its nonlinear effects are consistent with prior theorizing. Wintrobe (1990) models loyalty as a bending curve: it may initially rise with repression but collapses once pain becomes unbearable. Hirschman (1970) assumes a stable loyalty value at least until a “breaking point,” after which exit becomes viable. Severe pain can also lower reputational costs by making disengagement publicly justifiable. This mechanism aligns with recent patterns: the abrupt rise of LIO-defying populist and revisionist governments, despite long-standing issues, and growing perceptions in the Global South that the LIO is deeply hypocritical (Chatham House 2025). Country cases include Argentina that has gravitated toward “Beijing-led platforms” amid prolonged economic troubles, and Canada that sought new trade partners after repeated trade bullies from the United States.<sup>24</sup>

The mechanism yields a clear implication: under uncompetitive outside options, only issues that generate sufficiently high stay costs are likely to trigger support shift. I propose a typology

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<sup>22</sup>Note if disengagement is triggered by issue B rather than A being contested, outside options endogenous to A may not matter.

<sup>23</sup>The prediction also holds if loyalty does not turn strictly negative: under unbearable and definite loss, leaders may become risk-seeking (Kahneman and Tversky 1979).

<sup>24</sup>“Argentina in the Emerging World Order,” Carnegie Endowment for International Peace, Nov. 22, 2023; “Canada Seeks New Trade Partners in Asia After Trump’s Blowup,” Foreign Policy, Oct. 24, 2025.

that identifies such “helpless issues,” defined by four jointly necessary and effectively sufficient dimensions: stubbornness, severity, attributability to the LIO, and unaddressability. First, an issue must be stubborn or persistent; temporary downturns or short-lived shocks seldom create lasting incentives to disengage. Second, the issue must be severe, inflicting substantial pain, either materially or perceptually, on a broad segment of society. U.S. anti-dumping measures, by contrast, are unlikely to generate grievances comparable to a financial crisis. Third, grievances must be attributable to the LIO; states will not abandon an order they view as innocent, especially when alternatives are weak. Finally, the issue must be unaddressable through feasible domestic policy tools. For instance, globalization-related inequality can often be mitigated through redistribution.

Only when all four dimensions are high does an issue become “helpless” and capable of producing the stay costs necessary to induce a shift in support. In essence, “helpless issues” are critical, persistent and systemic ones individual states are unlikely to resolve alone – a structural inability. These issues are especially likely to erode the LIO given time, turning latent dissatisfaction into open disengagement.

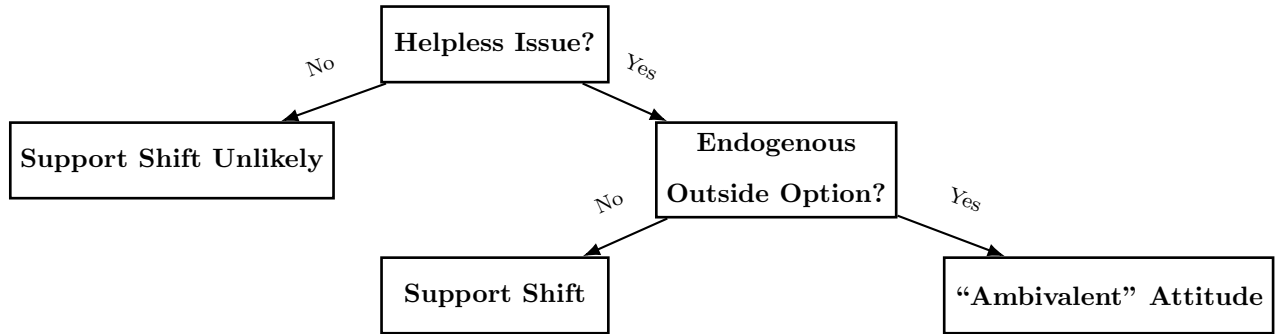


Figure 3: The Outline of the Mechanism. *Note:* This logic flow is based on the most applicable case of today: the LIO with uncompetitive outside options.

In sum, the overall mechanism is outlined in Figure 3. Given uncompetitive competing orders, only helpless issues generate stay costs high enough to push dissatisfied states toward a challenger. Even then, support is attenuated when the challenger is negatively implicated in the very issue that drives disengagement.

## Theoretical Model

I provide a formal model that clarify the logic above. The whole logic is, although uncompetitive outside options deter disengagement and simply supporting a challenger does not eliminate the stay costs of the issue(s), helpless issues generate pain sufficiently large to collapse the loyalty value, triggering disengagement. Let  $s_i \in [0, 1]$  denote the level of support that state  $i$  allocates to the challenger, with  $s_i = 0$  indicating full loyalty to the LIO and  $s_i = 1$  indicating full support for the outside option. The expected disengagement utility of state  $i$  is composed of three elements: the benefits of supporting the challenger, the costs of doing so, and the value of continued loyalty to the LIO. Formally,

$$U_i(s_i) = s_i B_i - s_i C_i + \underbrace{(1 - s_i)}_{\text{remaining loyalty}} L_i \quad (1)$$

where  $B_i$  denotes the expected benefit from support shift (e.g., future benefits from the challenger),  $C_i$  captures the cost of such support/disengagement, and  $L_i$  represents the intrinsic value of remaining loyal to the LIO.

The stay costs of the LIO's disputed issue(s) and, relatedly, the extent to which the outside option potentially generates such costs for the same issue(s) can shake the loyalty value. Intuitively, it means the perception of pain as an erosive factor delegitimizes the status quo. (Expected) issue relief can be modeled by the difference of stay costs (for the same issue(s)) between the LIO  $\sigma_i$  and the challenger  $\sigma_i^O$ :

$$\Delta\sigma_i = \sigma_i - \sigma_i^O \quad (2)$$

$\Delta\sigma_i > (<)0$  indicates that the challenger may alleviate (aggravate) the issue(s). Thus, loyalty of state  $i$  to the LIO is:

$$L_i = L_i^0 - l(\sigma_i) - f(\Delta\sigma_i) \quad (3)$$

where  $L_i^0$  is the baseline loyalty value and  $l(\sigma_i)$  translates  $\sigma_i$  to lost loyalty (increasing in  $\sigma_i$ ).  $f(\Delta\sigma_i)$  captures lost loyalty due to the expected, relational issue relief from support shift  $s_i$ .  $f(\Delta\sigma_i)$  is a sign-preserving function of and increasing in  $\Delta\sigma_i$  (that is,  $f'(\Delta\sigma_i) > 0$  and  $f(0) = 0$ ). It allows for outside-option endogeneity: challengers negatively implicated in the issue provide less issue relief

than the exogeneity baseline and in turn bounce back the loyalty value. Plug in (2) and (3), (1) becomes:

$$U_i(s_i) = s_i B_i - s_i C_i + (1 - s_i)(L_i^0 - l(\sigma_i) - f(\Delta\sigma_i)) \quad (4)$$

An issue is *helpless* when stay cost  $\sigma_i$  is sufficiently large beyond a threshold ( $\sigma_i^{(H)} > \bar{\sigma}_i$ ) that it may neutralize loyalty value ( $L_i^0 \approx l(\sigma_i)$  or  $L_i^0 < l(\sigma_i)$ ). Crucially,  $L_i$  can turn negative as discussed. For helpless issues,  $\Delta\sigma_i$  is likely positive for two reasons: 1) states may think stay cost is already super large and a potential alternative may not be any worse. 2) for the same reason, a potential alternative may have much room to improve on the issue. In contrast, for non-helpless issues of low stay costs causing much less pain, states may not be motivated to think positively or perceive extra level of uncertainty cost for alternatives, or perceive not much room to improve than status quo. Formally,

$$\begin{cases} \sigma_i > \sigma_i^O & \Rightarrow f(\Delta\sigma_i) > 0 & \text{if helpless} \\ \sigma_i \leq \sigma_i^O & \Rightarrow f(\Delta\sigma_i) \leq 0 & \text{if non-helpless} \end{cases} \quad (5)$$

Finally, differentiating  $U_i$  in (4) with respect to  $s_i$  yields the marginal utility of support shift:

$$\frac{\partial U_i}{\partial s_i} = \underbrace{B_i - C_i}_{\text{re/ diseng. } (d_i)} + \underbrace{(l(\sigma_i) + f(\Delta\sigma_i) - L_i^0)}_{\text{re/ loyalty } (l_i)} \quad (6)$$

Support for the challenger increases when (6) is positive. Denote the competitive outside option part  $B_i - C_i$  as  $d_i$  and the loyalty part as  $l_i$ . The model therefore generates the following comparative statics. First, endogeneity of the outside option – i.e., greater implication in the disputed issue – decreases  $\Delta\sigma_i$  (and  $f(\Delta\sigma_i)$ ) and reduces expected relief, thereby lowering support degree. Second, an increase in issue costs  $\sigma_i$  increases  $\frac{\partial U_i}{\partial s_i}$  and raises the incentive to shift support. Third, uncompetitive outside options meaning net disengagement utility is negative below a threshold ( $d_i < -|u^C|$ ), non-helpless issues are almost impossible to trigger disengagement, while helpless issues may if they push loyalty value into some negative scope.<sup>25</sup> These joint effects produce the four cases summarized in Table 1.

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<sup>25</sup>For the real exit case, the logic is simpler: the gap of  $B_i - C_i$  is even clear and stay cost is eliminated by exit. See Appendix.

ID	Issue Type	Outside Option	Prediction
1	<b>Helpless</b> ( $l_i > \text{or } \approx 0$ )	<b>Competitive</b> ( $d_i >  u^C $ )	$\frac{\partial U_i}{\partial s_i} > 0 \Rightarrow$ <b>strong support</b> .
2	<b>Helpless</b> ( $l_i > \text{or } \approx 0$ )	<b>Uncompetitive</b> ( $d_i < - u^C $ )	$\text{sign}(\frac{\partial U_i}{\partial s_i})$ uncertain $\Rightarrow$ <b>support possible</b> , if loyalty turns sufficiently negative.
3	<b>Non-Helpless</b> ( $l_i < 0$ )	<b>Competitive</b> ( $d_i >  u^C $ )	$\text{sign}(\frac{\partial U_i}{\partial s_i})$ uncertain $\Rightarrow$ <b>support possible</b> , depends on helplessness/competitiveness degrees.
4	<b>Non-Helpless</b> ( $l_i > 0$ )	<b>Uncompetitive</b> ( $d_i < - u^C $ )	$\frac{\partial U_i}{\partial s_i} < 0 \Rightarrow$ <b>no support</b> .
5	<b>Outside Option Endogeneity</b>	positively or negatively implicated ( $\Delta\sigma_i \uparrow$ or $\downarrow$ )	$f(\Delta\sigma_i, s_i) \uparrow$ or $\downarrow$ ; support likelihood increase or decrease when support exists.

Table 1: Predictions Derived from the Formal Model

In the empirical section below, I will focus on the “uncompetitive outside option” cases (predictions 2 and 4) as a China-led order is not on par yet, as well as prediction 5.

## 4 Applying to Global Imbalances

I apply the theory to global imbalances and derive testable hypotheses. Global imbalances are an ideal issue: they are substantively significant, generate widespread discontent, relate directly to outside options, span multiple domains, and exhibit the same analytical dimensions – stubbornness, severity, attributability to the order, and addressability. This makes them well suited for developing generalizable claims. The application also serves to highlight the political nature of global imbalances, an important yet understudied phenomenon in international relations.

Global imbalances generate lasting, cumulative grievances, reinforcing long-term negative perceptions of external deficits. The political impact of any economic phenomenon depends critically on how it is perceived (Mansfield and Mutz 2014). The correlations in Section 2 may lead leaders to believe that persistent deficits indicate state-level losers. Below, I show, from multiple angles, both the public and the better-informed leaders perceive the issue in ways broadly consistent with these interpretations.

*Inherent Aversion* – One source of grievances is rooted in the inherent aversion to deficit itself. As external imbalance reflects income-expenditure differential, the public often perceives it analogously from the household-budget lens (Barnes and Hicks 2020). The word “deficit” carries negative and



abnormal connotations especially among conservatives, and anomalies psychologically put more weight in human minds (Bhatia 2013; Kahneman 2013).

*Related Concerns* – The correlations between imbalances and socioeconomic indicators suggest that long-term troubles often co-appear. Historically, mercantilists of the 17/18th centuries worried about their impacts on national economy and power (Irwin 1998), while John Keynes proposed the International Clearing Union to address imbalances’ destabilizing effects (Crowther 1948). Even monetarists such as Milton Friedman cautioned that deficits may reflect poor national saving (Friedman and Friedman 1980). Contemporary media and official assessments are similarly negative on deficit. The OECD or IMF has long viewed imbalances as threats to macroeconomic stability (Delpeuch et al. 2021), and within the EU, sustained current account deficits over 4% trigger control procedures.<sup>26</sup>

*Peer Contrast* – Grievances can also intensify by peer contrast. Prominent commentators such as Stiglitz and Bernanke have argued that surplus countries hinder others’ development,<sup>27</sup> a narrative that resonates with foreign leaders especially during troubles. Lacking a full understanding of the causes, policymakers may politicize these correlations and blame surplus states. Like the public sentiment quoted above (Krugman 2019), the elites (especially conservative and nationalist) share similar perspectives: Trump and supporters characterize deficits with China as rendering America the “biggest loser.”<sup>28</sup> Because global imbalances involve “demand competition” and sum to zero, they easily evoke zero-sum and injustice frames (Marx 1867; Rawls 1971), often enhanced by geopolitical tensions. Table 2 illustrates such bilateral concerns across countries and time.<sup>29</sup>

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<sup>26</sup> “Fawlt Europe,” The Economist, November 2013.

<sup>27</sup> Joseph Stiglitz, “Reform the euro or bin it,” The Guardian, May 5, 2010; Ben Bernanke, “Germany’s trade surplus is a problem,” Brookings Institution, April 3, 2015.

<sup>28</sup> “How Trump Could Be Blocked at a Contested Republican Convention,” New York Times, 15-April-2016.

<sup>29</sup> Notably, states’ complaints may be suppressed by the common “deficit doesn’t matter” narrative; the latent concerns may be more than empirically observed.

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

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

\*1985, trade imbalance must be rectified, says china

\*1988, china looks to cutting trade deficit with australia

\*1993, imbalance worries china as taiwan trade soars

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Table 2: Examples of News Headlines on Concerns over Trade Imbalances (with China). *Note:* Data is collected from the LexisNexis database.

*Expectation Mismatch* – Grievances also intensify when outcomes fall short of expectations. Many states embraced liberalization during the 1980s–90s under the “Washington Consensus” (Quinn and Toyoda 2007), motivated by promises of economic modernization, political benefits, and national strength (Krasner 1985). Yet, states also held clear preferences: they viewed maintaining external balance as a precondition for continued liberalization (Simmons 2000; Quinn and Toyoda 2007). Thus, while expectations led states’ acceptance of LIO rules, unwanted outcomes produce dissatisfaction.<sup>30</sup>

<sup>30</sup>E.g., in the 1980s, the IMF began pushing states to remove controls on short-term capital flows (Stiglitz 2004).

In the Appendix, I present a macroeconomic model illustrating how persistent external deficits can generate nationwide dissatisfaction through public expenditure and wage channels. These grievances (often disproportionately concentrated), if persistent enough, can fuel populism and affect incumbents’ survival, which, combined with existing perceptions, particularly concern leaders.

A abundant literature links external imbalances to political tensions. Historically, trade imbalances contributed to conflicts such as the War of Jenkins’ Ear (Young and Levy 2011) and the Opium War by Britain.<sup>31</sup> More recently, troubling balance-of-payments positions and higher deficits have reduced support for economic openness (Simmons 2000; Spater 2024), increased trade restrictions (Broz et al. 2016), and fueled domestic protectionism (Delpeuch et al. 2021). At the micro level, increased imports or purchases by foreign firms can shape more favorable host-country policies (Cutrone and Fordham 2010; Johns and Wellhausen 2016).

Leaders can also properly attribute the issue to the LIO, both theoretically and historically. Before large-scale liberalization in the 1980s–90s, most states did not experience persistent external imbalances. Liberalization further constrained policymakers in foreign and domestic economic policies unlike during the Bretton Woods era (Stiglitz 2004; Quinn and Toyoda 2007), making it unlikely that leaders would fully blame themselves for a global phenomenon. Since 1971, balance-of-payments pressures have repeatedly troubled governments and even impeded deepening liberalization (Broz et al. 2016; Quinn and Toyoda 2007), for which the IMF created dedicated funds “designed to stabilize balance-of-payments (Dreher 2002)”.

## Testable Hypotheses

I now derive testable hypotheses. First, Global imbalances closely follow the first mechanism of “endogenous outside option” because of its relationship with China between finance and trade domains and China’s controversial trade practices. As explained, current account imbalance relates to income-expenditure differential one needs to finance (thus more of a financial property), while trade imbalance measures trade.

Although China has become an attractive provider of loans and investment, its trade practices are widely characterized as mercantilist, state-directed (“China Inc.”), or even predatory and coercive (Cha 2023; Wu 2016). The global “China shock” is accompanied by China’s persistent

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<sup>31</sup>See National Archives: <https://www.nationalarchives.gov.uk/education/resources/hong-kong-and-the-opium-wars>.

surpluses with most trading partners (Figure A.3), and even long-standing input suppliers such as South Korea and Japan have recently begun running bilateral deficits as China pursues greater “self-sufficiency.” Interestingly, many African governments initially welcomed Chinese finance, but now warn that rising bilateral imbalances have made it difficult to service “mountains of debt, much owed to Beijing.”<sup>32</sup> In short, states may turn to China for finance yet become increasingly wary when imbalances deepen.

These dynamics imply that states should respond differently to current account and trade imbalances. Beyond their theoretical distinction, governments empirically report both.<sup>33</sup> China may be a viable option for financial problems, but not when states face trade troubles. This can be reflected by total trade imbalances and bilateral trade deficits with China, with the latter reducing their willingness to shift support if any. This distinction motivates four hypotheses that differentiate the mechanisms operating through finance versus trade.

**H1.1:** The higher long-term current account deficit of a state should increase the likelihood of supporting the outside option – Chinese leadership.

When bilateral trade imbalance grows, it indicates that China as the outside option is endogenous to the issue. Thus, I test the interaction effect:

**H1.2:** However, if the state runs a bilateral trade deficit with China, the effect in *H1.1* will be moderated.

Here, the moderated effect refers to states’ cautious stance towards a support shift if the alternative is perceived to contribute to the overall imbalance problem. In contrast to current account deficit as a financial issue, total trade imbalance should be perceived as negatively linked to China. Therefore, one doesn’t expect total trade imbalances to bear the same effect as current account. This leads to two slightly different hypotheses:

**H2.1:** The higher long-term trade deficit of a state should not increase the likelihood of supporting Chinese leadership.

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

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<sup>32</sup> “Insight: Africa’s dream of feeding China hits hard reality,” Reuters, June 28, 2022.

<sup>33</sup> The two imbalances often move together, but their magnitudes and sometimes even their signs can diverge sharply across countries (see Appendix).

will be more negative.

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

Second, I test the observable implication for the latent loyalty mechanism which derives the “helpless issue” hypothesis. Global imbalances qualify as a helpless issue: it persists for many countries, generates substantial socioeconomic harm when sufficiently large, is highly attributable to LIO rules, and lies beyond the capacity of individual states to resolve unilaterally.

For evidence, South Africa’s *Business Day* (2016) observes “...persistent current account deficit is regarded as one of the country’s major vulnerabilities...” Kenya’s *Business Daily* (2013) and *The New Zealand Herald* (2018) similarly highlight that “Kenya’s large and persistent current account deficit... raises major concerns for sustained economic growth,” and “New Zealand economy’s external weaknesses, in particular persistent current account deficits...” More acutely, Pakistan’s leading business magazine *Pakistan and Gulf Economist* (2022) claims that “The key issues that our country is facing are... persistent current account deficit and huge trade imbalance... haunting our economy for long but unfortunately no solution...”

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

Table 3: Ten LIO Issues and Their Coding for Helpless-issue Dimensions. *Note:* see Appendix D.1 for coding rationale.

A comparable grievance is the recurrent financial instability for some countries.<sup>34</sup> Broz et al. (2020) depict that lasting financial turmoils produce severe political and economic consequences, persistently attack some states, are attributable to the current order, and surpass national governments’ capabilities.

For comparison, I identify eight additional major issues commonly attributed to the LIO, span-

<sup>34</sup>Measured by financial crises, capital account volatility, and portfolio outflows volatility (Broz et al. 2020).

ning trade, finance, development, and governance, mainly drawing on more than a dozen articles in International Organization journal’s 75th-anniversary special issue for the LIO. Together with global imbalances and financial crises, these ten issues provide sufficient variation across the four helpless-issue dimensions and arguably cover related topics in public discourse. I exclude issues that are difficult to operationalize (e.g., ideational and ideological debates) or not likely caused by LIO rules (e.g., migration, territorial disputes). Each dimension is coded as high, moderate, or low based on my assessment and confirmation by two domain experts, with the rationale relying upon empirical facts, literature, and expert knowledge (Appendix D.1). For instance, import competition is not typically persistent for decades and only moderately severe at high levels, but it is highly attributable to LIO trade rules and difficult to resolve without protection allowed. Among them, only global imbalances and financial crises score high on all four dimensions. In Section 5, I supplement these expert codings with LLM-based global media perceptions of these issues to assess human–machine intercoder reliability.

Testing multiple issues together offers two advantages. First, it evaluates the theory directly: global imbalances should stand out if they remain significant while non-helpless issues do not, and their relative magnitudes become comparable. Second, the non-helpless issues function as robustness and placebo tests, more confidently ruling out spurious correlations, especially since some may be correlated with imbalances. The following hypothesis tests the “helpless issue” mechanism:

**H3:** Only helpless issues (global imbalances and financial instability in this paper) should lead states to support Chinese leadership.

## 5 Empirical Analysis

I employ a multi-method approach to test the theory. Below, I progressively introduce the empirical strategies for the two main mechanisms.

### Data and Measures

**Dependent Variable: Supporting Chinese Leadership.** To test the core mechanisms, it requires a measure of support for Chinese leadership that ideally satisfies two criteria: 1) it captures overall Chinese leadership not simply China-led institutions, and 2) it requires considerable support costs (both material and non-material). I contribute to the literature by adjudicating three

potential measures of support for China’s nascent order: becoming a founding member of the Asian Infrastructure Investment Bank (AIIB), attending the first Belt and Road Initiative (BRI) Summit in 2017, and applying for initial BRICS membership. Using recent events helps ensure most LIO-related issues started long ago have sufficiently persisted.

*Becoming the AIIB Founding Members* – Following Qian et al. (2023), becoming an AIIB founding member can be interpreted as endorsing China’s elevated status. However, scholars argue that the AIIB modeled after the World Bank obscures whether membership reflects support for a unilateral Chinese leadership specifically (Broz et al. 2020). Empirically, founding membership better captures commercial motivations than leadership alignment. Substantial subscription costs, especially for deficit countries,<sup>35</sup> and the disproportionately high participation of European surplus economies (such as Germany, Switzerland, and Scandinavian countries), indicate that AIIB membership is an inadequate measure in this context.

*Sending State Heads to the 2017 BRI Summit* – In their seminal work, Broz et al. (2020) propose head-of-state attendance at the first BRI Summit as a direct, costly signal of support for China’s leadership ambitions. This measure (rather than becoming one of BRI’s over 150 members) has several advantages they argue.<sup>36</sup> The BRI is the flagship instrument of China’s alternative leadership project, particularly after the Trump administration’s inward turn. It is a unique Chinese vision exogenous to the LIO (so that support won’t be misinterpreted). Sending state heads is a costly signal of validating Chinese, illiberal leadership, especially when a Western order still dominates. Finally, the communiqué targets LIO’s issues.

*Applying for initial (pre-2022) BRICS Membership* – Applications to join the BRICS provide weaker leverage on Chinese leadership. Prior to the Ukraine war, the BRICS bloc lacked coherence, with members expressing divergent views on China and the West.<sup>37</sup> China sought to use BRICS to counter the G7, whereas South Africa rejected an anti-West framing.<sup>38</sup> Motivations for joining were similarly heterogeneous: India, despite severe deficits with China, joined for Russia; Brazil’s government emphasized de-dollarization; and major regional powers such as Indonesia and Argentina declined membership citing lack of unity.<sup>39</sup> The 2022 Ukraine war further complicates this. As of September 2023, 12 of the 19 recent BRICS applicants are autocracies (Polity < 0), compared to

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<sup>35</sup> Article 5, Articles of Agreement of the AIIB.

<sup>36</sup> Although membership is a signal (Davis 2023), head-of-state attendance is stronger, costlier than the almost universal, cost-free BRI membership.

<sup>37</sup> BRICS is doubling its membership,” Atlantic Council, 24 August 2023.

<sup>38</sup> China urges Brics to become geopolitical rival to G7,” Financial Times, 20 August 2023.

<sup>39</sup> “Analysis: Indonesia joining BRICS,” The Jakarta Post, 4 September 2023.



only 7 of 29 BRI-summit attendees.<sup>40</sup>

In sum, sending state heads to the 2017 BRI summit provides the clearest observable manifestation of supporting Chinese leadership, consistent with my theoretical emphasis on costly support. In 2017, a potential China-led order was clearly inferior as compared to the highly networked and institutionalized LIO, matching my theoretical setting. Unlike Broz et al. (2020), I do not distinguish Chinese economic leadership or general leadership, neither do transition theories; China’s BRI initiative stretches beyond economic domains. I also replicate tests using all three measures and the results are consistent with my expectations (Appendix).

**Independent Variable: Measuring Grievance.** To measure grievances as a cumulative value, existing work typically uses simple averages or sums (e.g., total crisis counts in Broz et al. (2020)). These approaches implicitly assume that distant events weigh as heavily as recent ones. By contrast, states should reasonably treat more recent grievances as more salient. I therefore operationalize cumulative imbalance grievances  $G_{t_n}$  between  $t_0$  and  $t_n$  using a time-discounted weighted average:

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

where  $B_i$  denotes the current account or trade balance in year  $i$ .  $d$  is the discount factor that assigns progressively lower weight to older observations. For example, if  $d = 0.05$  (in my main tests) and the year of 2017 is weighed at one, intuitively, a 20-year-old event may be almost forgotten. In the Appendix, I assess robustness to multiple discount values (from 0 to 0.2 increased by 0.05, with 0 being simple averages) and the results remain consistent.

## Testing “Outside Option Endogeneity”

### Probit Models

As in observational studies, causes can remain latent generating effects unwittingly; policymakers may simply feel discontented by a combination of grievances. Moreover, it may be hard to expect leaders to publicly and clearly link discontent to support, especially regarding supporting an authoritarian power. I rely on varied identification strategies. I first adopt Probit regression as the baseline model to estimate the factors influencing the dichotomous dependent variable (DV), “sending state heads to the 2017 BRI summit” ( $i = 1$  if the head of state attended, 0 otherwise). Thus,

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<sup>40</sup>See <https://en.wikipedia.org/wiki/BRICS>, accessed in September 2023.



the specification is adapted from Broz et al. (2020) for robustness and facilitating comparison, with support from other strategies below. Specifically, I estimate the following model:

$$\Pr(Attendance_i = 1) = \Phi\left(\beta_0 + \beta_1 AvgBal_i + \beta_2 BalChina_i + \beta_3 AvgBal_i \times BalChina_i + \beta_4' \mathbf{X}_i\right)$$

where the variables of interest ( $AvgBal_i$ ) is the weighted average current account balance and trade balance (both as % of GDP, 2011–2017 as the most recent decade).<sup>41</sup> I do not decompose imbalances further (e.g., goods, services, remittance). Since a country’s two balances can both correlate and diverge and exert independent or interplay effects (Appendix), I run two versions by including only one or both variables. Of the 29 states that sent state heads, 18 ran average current account deficits over two decades, and 15 had over five financial crises since 1990. All models control for a full list of covariates robustly tested in Broz et al. (2020) which account for baseline support propensity other than my mechanism. Attendance is influenced by a variety of factors. Being on the BRI routes for favored investment opportunities and having free trade or investment agreements with China as prior, underlying economic preferences are controlled for the “pull factors” to attend the summit. Other covariates include Ideal Point distance from China, leader’s ideology, regime type (Polity V), and the CIRI human rights index for political factors that may influence attendance, as well as GDP (log), GDP per capita (log), and GDP growth rate for economic controls. A dummy variable of Africa is used to account for under-representation at the summit as in the original models. Since financial instability such as currency or balance of payment crises are closely related to persistent deficits (Obstfeld and Rogoff 2009), I retain the financial crisis count. Moreover, this study is interested in understanding whether the main effect differs across bilateral trade balance with China (%), geopolitical relations (Ideal Point distance), race (majority white country), and regime type (Polity V). I thus interact these variables with current account balance.

To strengthen causality, I complement the baseline model with several additional approaches. First, to mitigate the concerns of unobserved confounders in probit models, I conduct *sensitivity tests* following Cinelli and Hazlett (2020) with the goal to gauge how strong an omitted confounder needs to be to completely explain away the effect of variables of interest (Appendix E.1). Second, I

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<sup>41</sup>The 2011–17 range contains more countries (150+ vs. 120+ of the 2001–17 range), and the recent decade is more felt. Nonetheless, the 2001–17 range is also tested (Appendix), showing consistent results with larger magnitudes, suggesting the effect of stubbornness.

implement *propensity-score matching* which pairs treated and control units with similar covariates and is less driven by the functional form assumptions in probit models (Appendix E.2). Third, to further mitigate omitted variable bias and reverse causality, I adopt *control function method* (2SRI, Two-Stage Residual Inclusion in the probit case (Terza et al. 2008)),<sup>42</sup> which utilizes an instrument variable (historical industrial intensity (2001-02)) that renders an endogenous variable exogenous (Appendix E.3). Across all methods, the estimated effect remains stable in sign, magnitude, and significance.

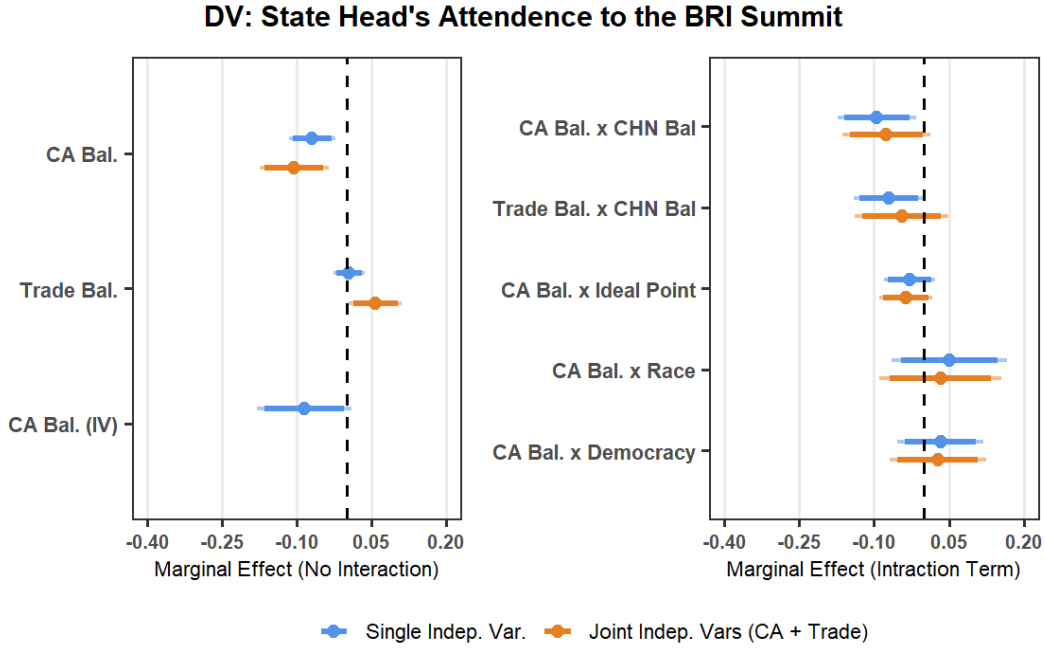


Figure 4: Effects of External Imbalances on the BRI Summit Attendance. *Note:* The left graph depicts the marginal effects of main variables of interest in probit models and control function method. The right graph depicts the interaction effects of the main variables and a few moderators. Joint models (orange) put in both current account and trade balances. Full models see Appendix E.1.

Figure 4 shows the results of various models (Appendix E.1 for full results), which report both models containing both current account and trade balances (orange error-bars) and models containing only solo variable of interest (blue error-bars) as labeled. Here, I only report probit coefficients and all models control for the same full list of covariates. As shown, current account balance is negatively correlated with attendance propensity, while trade balance has the expected null solo effect.<sup>43</sup> Substantively, moving from a balance (0%) to a severe current account deficit (−20%) –

<sup>42</sup>2SLS (Two-Stage Least Squares) is for linear models.

<sup>43</sup>The results are consistent for ordered probit models that utilize the attendance of both state heads and cabinet ministers.

top blue bar in left graph – increases the probability of attending the 2017 BRI Summit from about 7% to 30% – holding other covariates at their representative values (e.g., simple means or reference categories for binary or factor variables). Together, the zero or positive coefficient of trade balance is consistent with *H2.1* – when a state confronts trade deficit issues, it is less likely to be pushed to China due to its problematic trade practices. Instead, current account issues do. This is also consistent with the coefficients of FTA and BIT where the former is insignificant.

The right graph in Figure 4 plots the coefficients of various interaction terms containing total current account balance and trade balance with China (% , average over the past five years). The ambivalence effect of my theory is confirmed: the more a state runs a trade deficit with China, the less likely a state supports China compared to the bilateral balance baseline for both two balance accounts. Current account balance is also interacted with Ideal Point distance with the U.S., race, and regime type: the results showing none of them is significant suggests that the “push” effect is more universal across different types of countries. Additionally, I show that support propensity won’t change if China is involved in issues other than those at stake: interacting bilateral imbalances with financial crisis count results in an insignificant coefficient.

Lastly, all models use the heteroskedasticity-consistent estimator for robust standard errors. All models pass the VIF check for multicollinearity violations and are verified to have sufficient statistical power.<sup>44</sup> Notably, the correlation between two balances is insignificant ( $p > 0.18$ ), suggesting no confounding of each other or concerns of multicollinearity. The standard errors are adjusted for heteroskedasticity. The control function method (bottom blue bar in the left graph) estimates a consistent effect of a similar magnitude that double confirms baseline probit models,<sup>45</sup> as well as matching method. The F-statistic in stage one is over 12, suggesting a strong instrument. Sensitivity analysis shows that any omitted confounder that nullifies the main estimates would need to be 15 times, 17 times, and 38 times as strong as BRI location, Ideal Point distance, and GDP per capita with both treatment and outcome. Overall, all results systematically and consistently support my first set of hypotheses on how external balances affect support for an alternative leadership.

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<sup>44</sup>These models have around 80-85% statistical power, which measures the the likelihood of detecting an effect when there actually is one.

<sup>45</sup>The IV model is only run for current account as trade balance’s coefficient is ambiguous.

## Testing “Helpless Issues”

Next, the hypothesis “only helpless issues lead to Chinese leadership support” will be tested. Built on the systematic coding of ten LIO issues in Section 4, I jointly test the effects of these different issue on support shift. I adopt a two-pronged empirical strategy. First, I estimate the effects of ten distinct issue variables on BRI summit attendance based on within-issue variation. This provides a descriptive benchmark and allows me to verify whether raw issue indicators behave as the theory predicts: helpless issues (e.g., global imbalances, financial crises) should have significant effect on support for China, whereas non-helpless issues should not and act as placebo tests. Ten issues are tested in both separate and pooled models (ten issue variables in the same model).

Second, I move from individual variables to a theoretical construct by collapsing issues into a dummy variable of “helplessness,” which equals 1 whenever any issue that belongs to helpless issues  $\mathcal{H}$  exceeds a threshold  $\tau_k$  (e.g., 50th percentile among all countries), mathematically as below:

$$Helpless_i = \begin{cases} 1, & \text{if } \exists k \in \mathcal{H} \text{ such that } X_{ik} > \tau_k, \\ 0, & \text{otherwise,} \end{cases}$$

This operationalization provides a novel test of the theory’s core claim, since the existence of one or more helpless issues make one feel helpless. As a robustness and falsification exercise, I also construct placebo helpless dummies for other eight issues that are theoretically non-helpless. These placebo variables should have no effect. I also construct helpless dummies across a wide range of thresholds (e.g., 50th/70th/90th percentiles, see Appendix).

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

IMF and its global GDP share (in current US dollars). All covariates in the previous full baseline model are controlled for. Similarly, although the past decade is mostly felt, the longer period of 2001-17 is tested (Appendix).

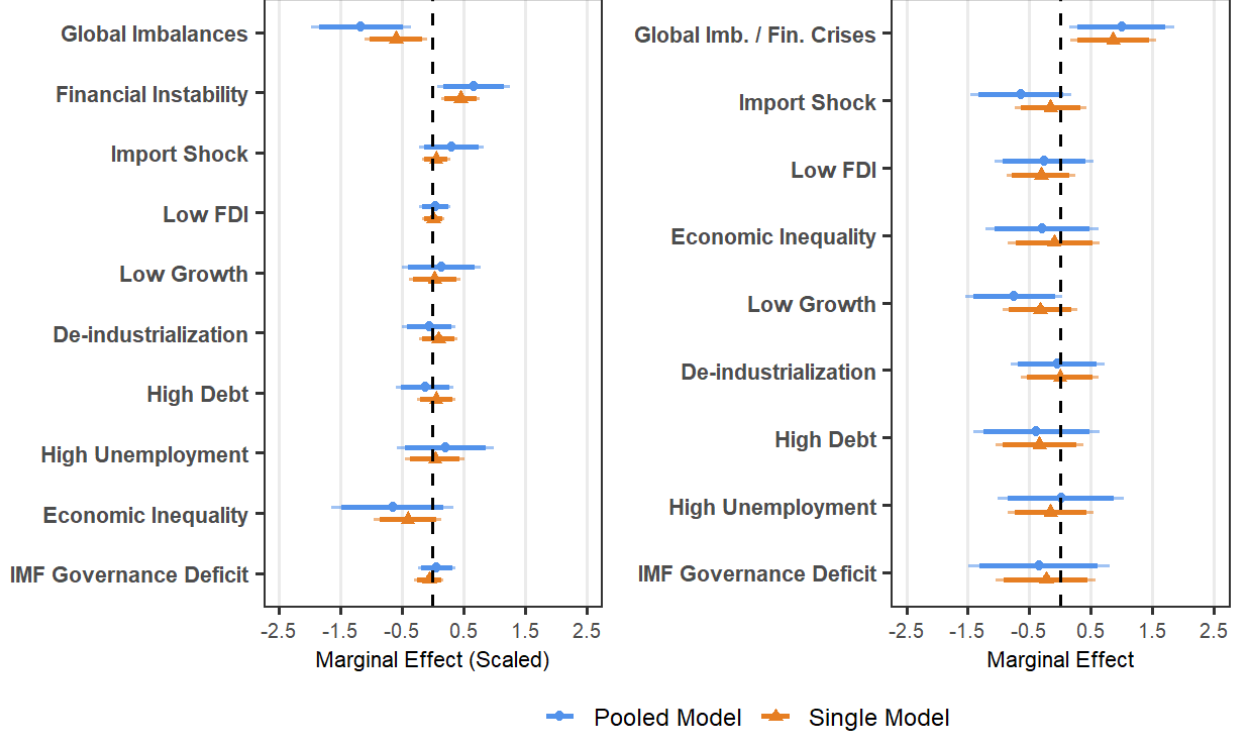


Figure 4: Scaled Marginal Effects of Ten LIO Issues. *Note:* The left graph plots scaled marginal effects of ten LIO issues for both individual and pooled specifications. The right graph plots model coefficients when using the constructed variable helplessness. Full models see Appendix E.2.

Results are displayed in Figure 4. The left graph shows scaled marginal effects for both individual (orange) and pooled (blue) specifications of ten LIO issue variables (scaled, see Table E.2), respectively. These effects are interpreted as how much increase in the DV is, given one standard deviation increase while keeping covariates at their mean values. As it shows, comparatively global imbalances bear the largest effect magnitude. As expected, apart from global imbalances and financial crises, none of the other eight helpless issues exhibits statistically significant results. Additionally, the blue bars are when all ten issues are in the same model (multicollinearity compliance is particularly ensured). The right graph depicts the model coefficients of the constructed helpless dummy variable that takes on 1 when issue variables cross certain thresholds, again showing consistent results for both individual and pooled specifications. Combining all the models, that exactly helpless issues across all specifications are significant is unlikely coincidental. The hypoth-

esis that “only helpless issues are likely to push states to support Chinese leadership” seems valid, which suggests that the two significant issues should raise special attention from the LIO patrons. Importantly, the pooled model that includes all issues variables together also serves as the robust check to exclude confounders for global imbalances. The statistical power of all models are checked as above. Figure 8 displays the scaled marginal effects, that is, what the effect is given one standard deviation increase while keeping covariates at their mean values. As it shows, comparatively global imbalances bear the largest effect magnitude. Overall, the findings confirm Broz et al. (2020)’s speculation that some issues (WTO complaints) may only trigger the pursuit to reform the existing system, while some (financial crises) lead to transition to a new order.

Several additional evidence strongly supports the mechanism of loyalty. First, there is a sharp peak of coefficient at the 50th percentile of two helpless issue variables compared to the 25th and 75th percentiles (1.3 vs. 0.7ish), suggesting stay costs do not linearly erode loyalty but are only so when crossing a threshold. Second, low stay costs (“non-helpless”) see no difference of support between left-leaning and right-leaning governments, but high stay costs see both governments substantially increase support likelihood, yet left-leaning governments shifting much less than right-leaning. This implies left-leaning governments retain higher loyalty impeding exit, consistent with recent findings that left-wing parties are more subject to global legal commitments (Schneider and Thomson 2024). This indirectly supports the role of loyalty that at least contains an ideology-based component.<sup>46</sup> Third, in the “Additional Evidence” below, it again appears that only helpless issues like global imbalances show significant effects on siding with Russia in UNGA ES-111 resolution, which is the first to denounce Russia for war in Ukraine and reflects the degree of loyalty to existing order’s norms.

### **LLM-based Media Analysis**

I substantiate the above result by employing text analysis of media coverage to confirm human-LLM inter-coder reliability and to capture broader media perceptions of these issues. Although the ideal method – directly surveying national leaders – is infeasible, media-based perceptions, albeit its limitations, reflect how issues are publicly constructed and perceived, and shape elite and mass views (Kim 2018; Mutz and Soss 1997; Wlezien and Soroka 2023).

I use LexisNexis to collect all news articles since 2000 containing issue-specific keywords (e.g.,

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<sup>46</sup>Regime type and Ideal Points distance show null effects, as the former may be a broader measure and the latter measures geopolitical relations.

“persistent current account deficit,” “persistent economic inequality,” “deindustrialization,” “persistent high unemployment,” “persistent low growth”).<sup>47</sup> After removing duplicates, the final corpus consists of 3,101 articles across ten issues, with each issue represented by 15–40 countries and no country exceeding 25% of each issue’s sample. Operationalization details appear in the Appendix. The media reflects systemic global perception, not reversely affected by support shift.

As LLMs trained by super large corpora have been shown to replicate human-coded framing judgments with high semantic reliability (Atreja et al. 2025; Egami et al. 2023), for each article,<sup>48</sup> I ask LLM (GPT-4.1-mini) to rate on the scale 1-5 for each helpless dimension  $d$  (stubbornness, severity, attributibility, and unaddressibility) using standardized zero-shot, zero-temperature settings. For example, for severity, I ask “if the issue is extremely damaging to domestic economy?” I also ask LLM to rate the overall “helplessness” by combining four dimensions in one question (See Appendix for details). For each dimension of each issue, I then calculate average scores  $\bar{X}^{(d)}$  (formally expressed below) weighted by inverse of country count  $c_i$ , and then their differences from “current account deficit,” which serve as the baseline.<sup>49</sup>

$$\bar{X}^{(d)} = \frac{\sum_{i=1}^n \left( \frac{1}{c_i} \sum_{j=1}^{c_i} x_{ij}^{(d)} \right) \frac{1}{c_i}}{\sum_{i=1}^n \frac{1}{c_i}}$$

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<sup>47</sup>LexisNexis provides global coverage of major national and local outlets; I exclude the United States, the United Kingdom, and China.

<sup>48</sup>I extract and only keep 100-word windows around each keyword to focus on local framing.

<sup>49</sup>Using differences can mitigate model-specific scoring biases.

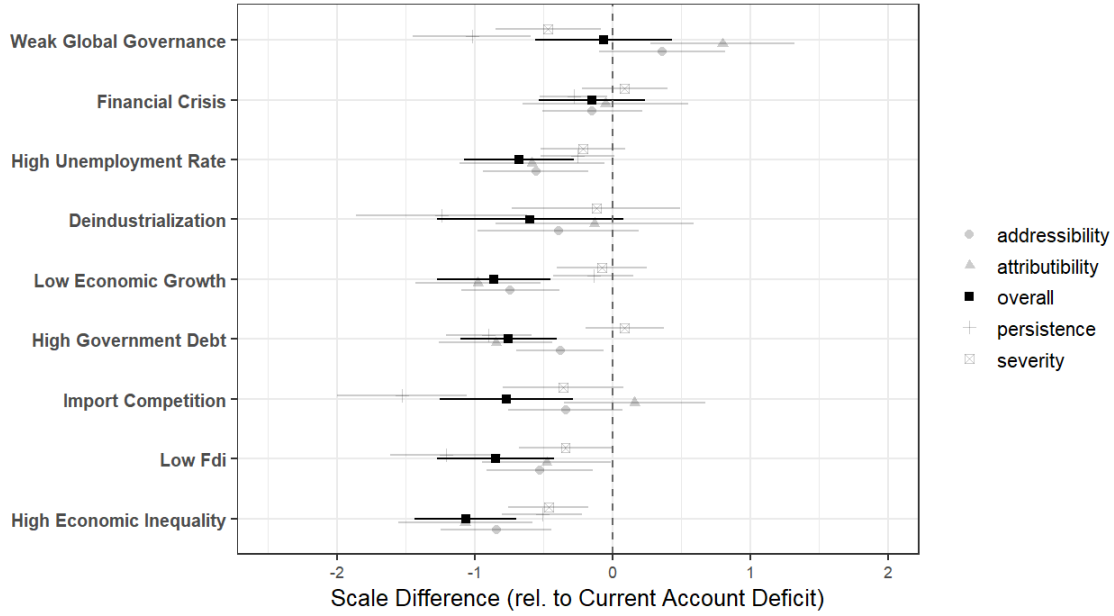


Figure 5: Scale Differences between Issues and Baseline. *Note:* Each error-bar plot the LLM-rated average inverse country-count-weighted score of one issue on one dimension relative to the baseline “current account deficit” at 90% CI.

Figure 5 plots, for each issue and dimension, the LLM-coded score differences relative to current account deficits. Randomly inspected text examples confirm that LLM-coded ratings accord with human interpretations (see Appendix). The results align with expectations: current account deficits and financial crises receive the highest scores across all dimensions, while other issues score substantially lower on one or more dimensions. The overall “helplessness” score likewise places global imbalances and financial crises at the top. Substantively, for example, “weak global governance” and “import competition” score high in attributability but moderate in severity, whereas “high debt” and “low growth” show the opposite pattern. Although not fully matching, many of LLM’s four dimensions are consistent with human coding in Table 3.<sup>50</sup>

## Additional Robustness Tests

Apart from extensive robustness checks mentioned inline above, I conduct additional tests in the Appendix. First, to ensure that no outliers are driving the results, any country or continent or year is removed from the dataset. Additionally, 5% data of external balances are removed from both tails to eliminate extreme values. For example, Mozambique runs an average trade deficit of -25%. Second, I fill in the missing data by Multiple Imputation and rerun all tests. Third, I add more

<sup>50</sup>I also tried simple-means, multiple runs of multiple models, and different word-window, with consistent results.



controls. Dummy variables for continents of Asia and Latin America are added to control for the impact of travel distance or regional fixed effects. Similarly, a dummy of the Global South and race (white) is added. Fourth, a few alternative measures are used to rule out specific coding sensitivities. Regime type (Polity V) is replaced by the Freedom House index and VDem liberal democracy index. The DV attendance is re-coded as an ordinal variable (to differentiate state heads, ministers, and below), and is run using ordered probit models. All these robustness tests show consistent results.

## Alternative Explanations

I address a few alternative explanations. First, long-term external imbalances may correlate with other structural problems such as low growth, deindustrialization, or financial instability that could independently drive support shifts. However, the models pooling all issues (Figure 4) include controls for most theoretically co-occurring issues, reducing concerns about omitted-variable bias. Second, states may simply be attracted to China – a pull mechanism – either by economic benefits or deficit issue relief or ideological and geopolitical affinity. I account for these by controlling for all relevant covariates. Historical evidence, theory, and the illustrative case all suggest that push dynamics rooted in grievances play a key role. Supporting an institutionally inferior and materially uncertain China-led order generates high disengagement costs and future-discounted benefits, making a pure pull mechanism unlikely. Moreover, attending the BRI Summit is not a technical remedy for external deficits, similar to becoming AIIB founding members.

Third, as I emphasize the push channel, one might question whether the China-led order as of recently is truly uncompetitive, and thus whether the loyalty mechanism is necessary. However, my model predicts that if outside options were genuinely competitive, issue characteristics should not matter – yet the results show clear heterogeneity across issues, directly contradicting this alternative. Moreover, public discourse over media suggests that even among autocratic LIO members or states located along BRI routes (e.g., Saudi Arabia, Vietnam, Singapore), the China-led order remains materially and institutionally weaker than the LIO for now. Fourth, because the LIO and a potential China-led order rest on competing rules and norms (Broz et al. 2020), dissatisfied states are unlikely to support both especially in a bipolar structure which makes (Ikenberry 2011; Mearsheimer 2001). Thus, my observation is unlikely a result of hedging.

Taken together, these alternative explanations do not account for the observed pattern: only helpless issues—most notably global imbalances and financial crises—predict support shifts, while

theoretically non-helpless issues do not.

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

Italy provides an ideal plausibility probe for the mechanisms I propose. As the only G7 state to send its head of government to the 2017 Belt and Road Forum and to formally sign a Memorandum of Understanding with China in 2019, Italy is an analytically hard case: if a core Western economy with deep institutional commitments to the EU and the broader LIO can be “pushed” to support China due to issue-based grievances, the mechanism should plausibly hold for vulnerable developing states, like the aforementioned concerned African countries.

Italy’s leadership seemed to interpret the BRI as directly responsive to the very issues that accumulated within the LIO’s liberal economic sub-order. The 2017 Belt and Road Forum Joint Communiqué, which emphasized “financial crises, unsustainable development, and uneven globalization” (Broz et al. 2020), echoed Italy’s long-standing macroeconomic distress. Italy experienced over a decade of stagnation, recurring recession episodes, and sovereign debt crises that left it with one of the highest debt-to-GDP ratios.<sup>51</sup> In fact, its economic troubles could even trace back to the 1970s when youth unemployment was high, inflation had soared, and the budget deficit became intractable (about 10% of GDP) – worse than nearly any other major industrialized economy. Italy had also run persistent current account deficits from 1973 through the 2010s (except the 1990s), accumulating vulnerability to external shocks. This combination of lasting, systemic grievances formed precisely the “helpless issues” theorized in the paper: entrenched problems that Italy could not solve unilaterally and whose persistence signaled that the LIO (Eurozone fiscal rules, ECB austerity constraints, IMF surveillance norms) had ceased to deliver benefits. As noted widely in contemporary media, Italy entered the mid-2010s dissatisfied with EU austerity, facing what The Economist termed “the sick man of Europe.”<sup>52</sup>

Despite all these, Italy had tried reforms to fix its problems. The fiscal-discipline package the Monti government pushed through in the early 2010s (including pension reforms, spending cuts, labor-market and regulatory liberalization) was effectively a forced realignment with EU rules. Yet, as the problems continued despite all the efforts, they became helpless and Italy’s loyalty to the West-led order dropped rapidly. Domestic politics directly reflected issue-driven consequences. Anti-establishment parties quickly gained steam in the 2010s. The year 2018 witness the turning

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<sup>51</sup> “Italy joins China’s Belt and Road Initiative,” Aljazeera, 23-March-2019.

<sup>52</sup> “The real sick man of Europe,” The Economist, 15-Oct-2016.

point: the country elected a populist coalition (Five Star Movement–Lega) that repeatedly described Italy as being “in battle with Brussels” – a direct challenge to the LIO’s central economic authority with the Eurozone being a key organic, regional component.<sup>53</sup> Thus, Italy was sort of pushed to China by grievances within the LIO. Notably, although Italy may not attribute its position change solely to external deficit, it did relate to it. Luigi Di Maio, former economic minister who later signed the BRI MoU to join the BRI, explicitly framed deeper engagement with China as a solution to Italy’s external imbalance, stating that Italy hoped for “a substantial increase in exports” to improve its current account position – a public acknowledgment that systemic grievances (and fear of their return) motivated the search for an alternative economic partner.<sup>54</sup> Particularly, compared to a few years later, Italy was driven more by financial grievances (e.g., debt, recession, and lack of investments) with relatively less concerns over Sino-Italy bilateral imbalance, so China as an outside option seemed viable.<sup>55</sup>

However, Italy’s withdrawal from the BRI in 2023 (the reversal of support) powerfully reinforces the next part of my mechanism. While the initial alignment was driven by systemic grievances and the desire for an “outside option,” the subsequent reversal was driven by a new realization: Italy’s bilateral trade deficit with China doubled between 2019 and 2023. In July 2023, during an interview with a local newspaper *Corriere della Sera*, Defense Minister Guido Crosetto remarked, “. . . joining the Silk Road (BRI) was an improvised and wicked act. . . we exported a load of oranges to China, they tripled exports to Italy in three years. . .”<sup>56</sup> This reflects Italy’s realization that a hope for the BRI to alleviate its imbalances and other financial issues was futile and bilateral trade was indeed a trouble source. In other words, China as an outside option proved disappointing, precisely because of bilateral trade relations.

The case matches precisely the logic of my theory: helpless issue-generated pain → collapsed loyalty to the West-led order → experimentation with the China option → realization that China is implicated in its issues → withdrawal of support. Overall, Italy – a major Western economy – illustrates how persistent LIO issues can erode loyalty even within core members of the LIO. The subsequent shift away from China and the BRI can be interpreted as Italy’s attempt to restore loyalty value due to outside option endogeneity as in my models. Italy’s behavior thus provides direct observational support for a loyalty-based, issue-driven theory of order contestation and power

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<sup>53</sup> Al Jazeera, “Italy joins China’s Belt and Road Initiative,” 23-Mar-2019.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid

<sup>56</sup> Ibid

realignment. To be sure, Italy’s action may also be affected by other factors such as leaders’ ideology or historical ties, but revealed evidence strongly suggests said causal path. While Italy gave four more years to validate possible trade concerns conditional on political cycles, others may have recognized it earlier.

### **Additional Evidence on Mechanism: Financial Policy Volatility, UNGA Voting, and Supporting Russia’s War**

In Section 4, I presented rich evidence how global imbalances may cause lasting grievances among states which trigger behavioral change. The mechanism goes through the key – states’ dissatisfaction as an emotional reflection. I conduct extra cross-domain tests as the testable implications of the mechanism.

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

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

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

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

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

*Support for Russia's Invasion* – Supporting Russia's invasion of Ukraine is a good measure of outright flouting the LIO when Russia's blatant attacks violate much of the order's rules and norms. Thus this measure perhaps represent more loss of loyalty than attending the BRI. The loyalty In the Appendix, I show that long-term current account deficits predict states' votes in favor of Russia on the UNGA ES-11/1 resolution, which immediately demanded basic corrections from Russia. Again, I find only helpless issues of current account imbalances show significant effects.

**Why Now?** – Finally, why do we observe states supporting Chinese leadership now, given that global imbalances have persisted for decades? Three responses are in order. First, until the 2010s there was no obvious competing order and no meaningful opportunity like the BRI summit for states to express support; but once the change in political opportunity structure (e.g., outside options) appears, the grievance can appear especially intolerable (Tocqueville 1856), especially for helpless

issues.<sup>57</sup> Second, historical attitudes toward deficits and my UNGA voting analyses indicate that concerns existed earlier, but policymakers often downplay temporary deficits and require time to assess their severity and persistence. Third, grievances accumulate: even with a constant imbalance rate, the cumulative pain grows over time, allowing issues to cross the threshold into “helplessness.” I show that the two-decade average imbalance has a larger effect than one-decade (Appendix).

## 6 Conclusion and Discussion

Studying the LIO is important but admittedly hard statistically. Studying issues or problems of the order provides a unique angle for the contemporary world: absent them and the associated grievances domestically and internationally, populists like Donald Trump may not have a chance to rise. Despite a wealth of literature pointing out varied issues within the LIO, little is known about their political consequences, especially regarding order contestation and the returning great-power competition. The paper develops a theory of order issues, in the context of persistent, structurally distorting global imbalances. First, I show that global imbalances indicate a cross-national disparity in development performance and engender lasting grievances. I provide consistent, robust evidence showing that grievances lead to support shift for the alternative, which however is attenuated if the alternative is implicated in issues at stake. Second, only issues that I conceptualize as helpless may trigger the disengagement, as they generate sufficient pain to crush loyalty to the LIO. As such, my findings extend the seminal work of Broz et al. (2020) by pointing out that the nuance of support shift lies in outside options and issues themselves, as well as how they interact. While in discussions, they speculate the seemingly null effect of WTO complaints as opposed to financial crises may be due to different approaches states choose or leaders’ preferences, I systematically conceptualize the latter as helpless scoring high in four dimensions creating unbearable sufferings leading to loyalty collapse. This more clearly explains why states choose to support Chinese leadership even if it’s yet competitive as compared the LIO, states confront large disengagement costs with limited tangible benefits, and simply support won’t eliminate the pain. Nonetheless, my findings imply sort of resilience of the current order apart from the pessimism lamented out by Lake et al. (2021). Overall, my theory and robust findings fill a large gap in power transition theories (Organski and Kugler 1980), by pointing to the complicated and nuanced process which is particularly relevant in

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<sup>57</sup>My model shows that outside options can affect loyalty, but only collapse loyalty when the underlying issue is helpless.

today's globalized world. They also speak to the literature on institutional bargaining (Lipsky 2015; Morse and Keohane 2009) in that the issues and outside-option credibility can become endogenous and more dynamic affecting members' relationship with the order.

Overall, this paper combines global imbalances, the LIO, its contested issues, and U.S.-China competition to offer unique insights for today's world politics: neoliberal globalization has created many thorny issues. While concerns over imbalances even lead to hegemon's disengagement from LIO institutions (e.g., the WTO), Trump's unpredictability presents an issue for others, whose reaction may depend on said mechanism; the absence of exogenous and competitive outside options may encourage hegemon's revisionism. The often-downplayed external imbalances become increasingly focal in a contentious geopolitical age. For example, South Korea in 2023 recorded its first bilateral deficit with China after three decades (so did Japan), coupled with the U.S. becoming its largest surplus source. This suggests that Korea (and Japan) will likely lean further away from China. The logic can help predict China-India relations, and explain why China-Australia relations have softened, as Australia generates some \$40 billion bilateral surplus.

Moreover, issues like global imbalances reflect more structural problems than the perhaps temporary domestic backlash, beyond sub-national winners/losers (Baccini 2019; Hiscox 2001) and the oft-sanguine conventional trade arguments. Global imbalances also echo the fact that globalization has disproportionately benefited a few states (Baldwin 2016). Most deficit states are emerging democracies while autocracies excel, running against LIO's social purposes (Lake et al. 2021; Ruggie 1982). Both advanced and emerging democracies that confront democratic backsliding and deteriorating institutions need to consider external factors that erode domestic foundations. Thus, LIO issues speak to a normative contention of global justice and a judgment of globalization against its expectations. As such, as China agglomerates global production, the U.S. tariffs on Chinese goods that redirect demand to other countries might inadvertently strengthen other developing countries, increase U.S. influence, and create a more balanced, sustained globalized world. The findings inform future global trade reforms, when the WTO is less capable of handling issues like mercantilism (Wu 2016). Furthermore, the economic component of the LIO can undermine the LIO itself. If the never-ending structural issues like global imbalances indicate persistent real and perceived problems, anti-globalization backlash will unlikely to heal on its own. Protectionism partly results from this long-run accumulated root, resembling some characteristics in the 1930s when trade collapsed seen as a zero-sum game.

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



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# Appendix

## A Descriptive Patterns

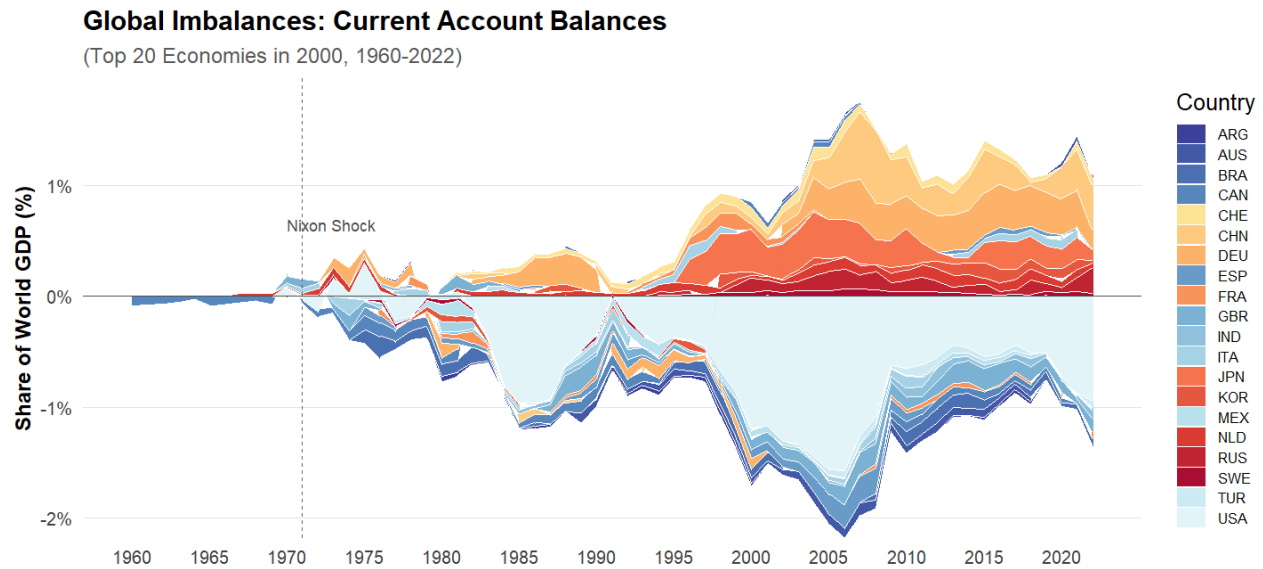


Figure A.1: Global Imbalances (Current Account Balance).

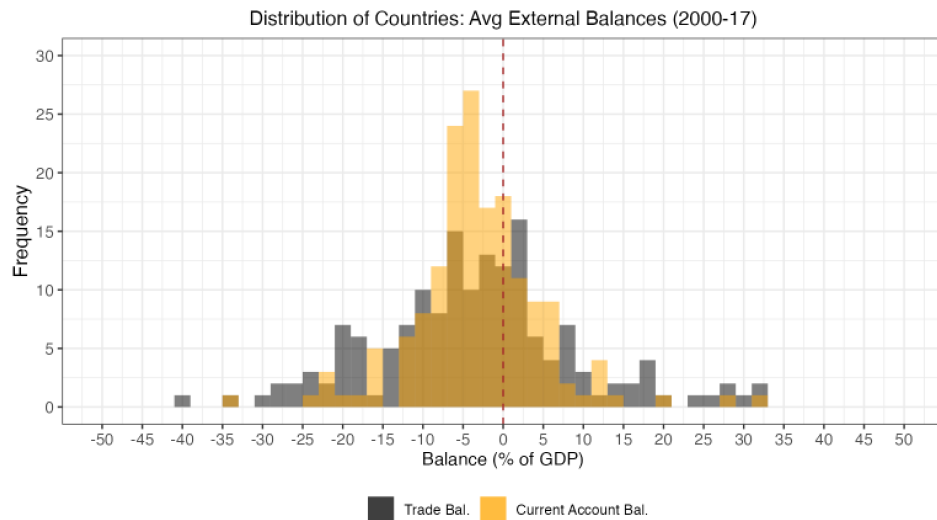


Figure A.2: Distribution of Mean Global Imbalances (2000-17, Data Source: the IMF). *Note:* the brown area is the overlap of both balances.

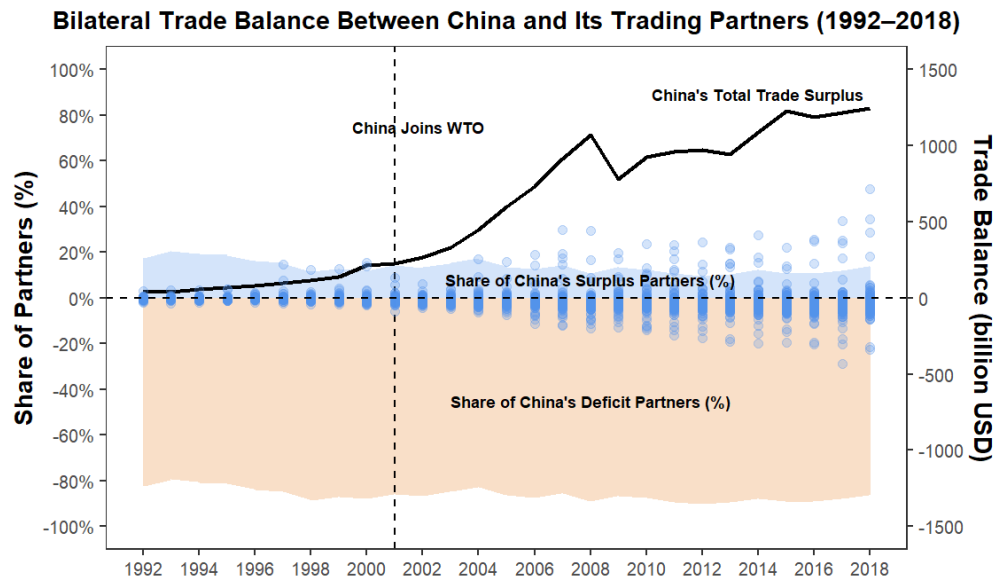
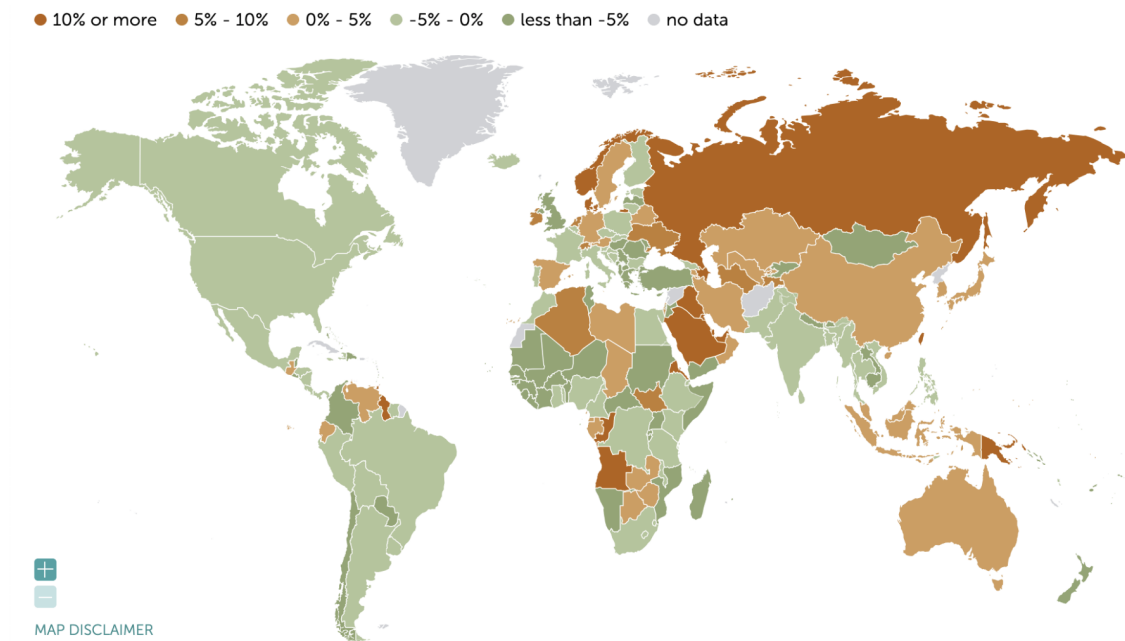


Figure A.3: Bilateral Trade Between Trading Partners and China (source: World Bank). Note: exports/imports data is reported by trading partners.



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

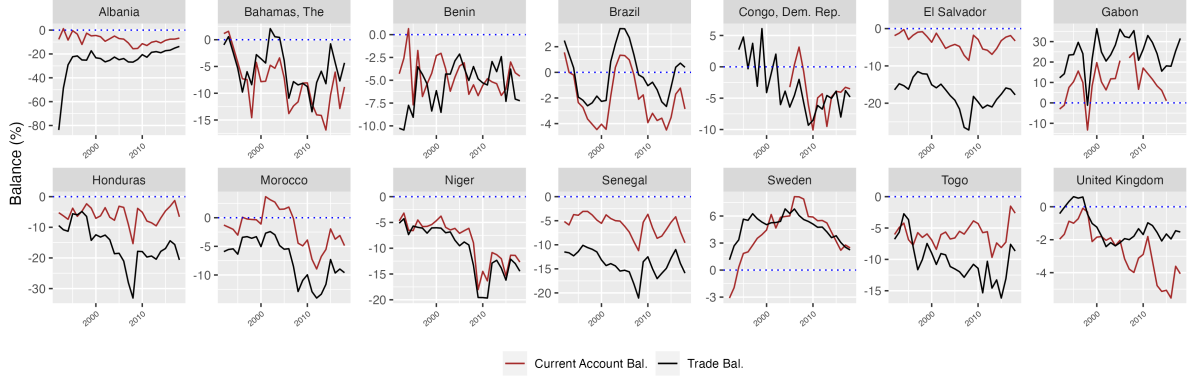
**Figure 2.** *Global Imbalances (Current Account Balance. Graph: Council on Foreign Affairs).*



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

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

### A.3 Examples of two balances



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

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

## B Theoretical Model

### Formalization

Let a representative state  $i$  decide whether to *remain* in the liberal international order (LIO) or *shift support* toward an outside option  $O$ . The expected utility difference from deviation is defined as:

$$\Delta U_i = \beta_i - (\sigma_i + \gamma_i), \quad (7)$$

where

- $\beta_i$ : expected *benefit of deviation* (e.g., issue assistance, bargaining leverage, or alignment gains with a rising power);
- $\sigma_i$ : *stay cost* incurred due to the disputed issue within the existing order;
- $\gamma_i$ : *deviation cost* from shifting support (reputational, institutional, or uncertainty costs).

## Credibility Condition

The credibility of the outside option depends on whether it yields net positive expected utility:

$$\text{Outside option is credible if } \Delta U_i > 0. \quad (8)$$

When  $\Delta U_i < 0$ , the expected benefits of deviation fail to offset total costs, rendering the outside option less credible.

## Baseline and Issue Dependence

Assume a baseline in which the outside option is *tangent* (exogenous) to the disputed issue—neither aggravating nor alleviating it. Let the expected benefits and costs at baseline be  $\beta_i^0, \sigma_i^0, \gamma_i^0$ . Then the baseline likelihood of shifting support is an increasing function of the net deviation utility:

$$P_i(\text{shift}) = f(\beta_i^0 - \sigma_i^0 - \gamma_i^0), \quad f' > 0. \quad (9)$$

## Issue Aggravation or Relief

If the outside option *aggravates* the disputed issue, the expected issue cost rises by  $\delta_i > 0$ :

$$\sigma_i = \sigma_i^0 + \delta_i. \quad (10)$$

If it *alleviates* the issue, then  $\delta_i < 0$ . Expected deviation utility becomes:

$$\Delta U_i = \beta_i - (\sigma_i^0 + \delta_i + \gamma_i). \quad (11)$$

Hence:

$$\frac{\partial \Delta U_i}{\partial \delta_i} = -1 < 0, \quad (12)$$

implying that any aggravation of the issue reduces expected utility and thus lowers the likelihood of shifting support:

$$\frac{\partial P_i(\text{shift})}{\partial \delta_i} < 0. \quad (13)$$

## Interpretation

In sum:

- The outside option's credibility is *endogenous to the issue* through its effect on  $\delta_i$ ;
- When the issue cost rises under the outside option, the incentive to defect declines;
- Only when the expected benefits  $\beta_i$  outweigh both deviation costs  $\gamma_i$  and issue-related costs  $\sigma_i + \delta_i$  does shifting support become rational.

## Issue Salience Heterogeneity

Let the salience or dissatisfaction level of a disputed issue for state  $i$  be denoted  $\theta_i > 0$ , where higher  $\theta_i$  reflects a more intolerable issue within the current order. Let the competitiveness of the outside option be represented by  $\kappa_i \in [0, 1]$ , with larger  $\kappa_i$  indicating a more competitive or credible alternative order.

The state's expected utility difference from shifting support is given by:

$$\Delta U_i = \beta_i(\kappa_i) - [\sigma_i(\theta_i) + \gamma_i(\kappa_i)]. \quad (14)$$

### Interpretation of terms.

- $\beta_i(\kappa_i)$ : expected benefits of deviation, increasing in the competitiveness of the outside option ( $\partial\beta_i/\partial\kappa_i > 0$ ).
- $\sigma_i(\theta_i)$ : issue-specific stay cost, increasing in issue salience ( $\partial\sigma_i/\partial\theta_i > 0$ ).
- $\gamma_i(\kappa_i)$ : deviation cost (reputational, uncertainty, or coordination), decreasing in outside-option competitiveness ( $\partial\gamma_i/\partial\kappa_i < 0$ ).

**Decision rule.** The state shifts support when:

$$\Delta U_i = \beta_i(\kappa_i) - [\sigma_i(\theta_i) + \gamma_i(\kappa_i)] > 0. \quad (15)$$

Otherwise, it remains in the existing order.

### Comparative statics.

$$\frac{\partial \Delta U_i}{\partial \theta_i} = -\frac{\partial \sigma_i}{\partial \theta_i} < 0, \quad (\text{more salient issues increase stay cost, pushing toward defection}); \quad (16)$$

$$\frac{\partial \Delta U_i}{\partial \kappa_i} = \frac{\partial \beta_i}{\partial \kappa_i} - \frac{\partial \gamma_i}{\partial \kappa_i} > 0, \quad (\text{more competitive outside options raise net utility of deviation}). \quad (17)$$

### Implications.

1. **Uncompetitive outside options** ( $\kappa_i$  low) increase deviation costs  $\gamma_i$  and reduce benefits  $\beta_i$ . Consequently, only highly dissatisfactory issues ( $\theta_i$  large) yield a positive net utility of defection. This corresponds to a *push* mechanism, in which acute grievances justify costly exits.
2. **Competitive outside options** ( $\kappa_i$  high) reduce costs and raise benefits, such that even modest dissatisfaction ( $\theta_i$  small) can trigger a shift in support. This corresponds to a *pull* mechanism, driven by the attractiveness of the alternative order.

### Result.

$$\frac{\partial^2 P_i(\text{shift})}{\partial \theta_i \partial \kappa_i} < 0, \quad (18)$$

implying that when outside options become more competitive, the marginal effect of issue salience on the likelihood of shifting support decreases.

## C Economic Model

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

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

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

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

$$Y_{t-1}(c + g + i + n) + rD_{t-1} = Y_{t-1} \quad (19)$$

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

$$Y_t(c + g + i + n) + rD_t \leq Y_t \quad (20)$$

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

$$Y_{t-1}(1 + d)(c + g + i + n) + r(D_{t-1} + |n|Y_{t-1}) \leq Y_{t-1}(1 + d) \quad (21)$$

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

$$|n| \leq \frac{d}{r} \underbrace{(1 - (c + g + i + n))}_{\text{debt service share of GDP}} \quad (22)$$

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

Another impact channel works through employment. Assume two sectors of manufacturing and services. The services sector usually employs the largest number of workers nationwide and follows a Cobb-Douglas function. Persistent external deficits implies manufacturing factors such as labor

shifting to service sectors (Kehoe et al. 2018). Applying first-order condition gets marginal product of labor, a.k.a. equilibrium wage. As labor moves to service sectors, the wages in the services sector will be depressed. As manufacturing industries shrink, manufacturing wages may also decrease.

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

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

## D Applying to Global Imbalances

### D.1 Issue Coding Rationale

## E Empirical Results

### E.1 Sensitivity Test

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

Figure E.4 plots the sensitivity curves which represent the estimates of global imbalance given the hypothetical partial  $R^2$  of the omitted confounders with treatment ( $R_{D \sim Z|X}^2$ ) and outcome ( $R_{Y \sim Z|D,X}^2$ ). In a nutshell, any omitted confounder that nullifies the main estimates would need to be 15 times, 17 times, and 38 times as strong as `bri_loc`, `ideal_point`, and `gdp_pc` with both treatment and outcome.<sup>58</sup> The result suggests less concerns for omitted variable bias.

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<sup>58</sup>As noted by Cinelli and Hazlett, these results are conservative for multiple (possibly non-linear) omitted con-

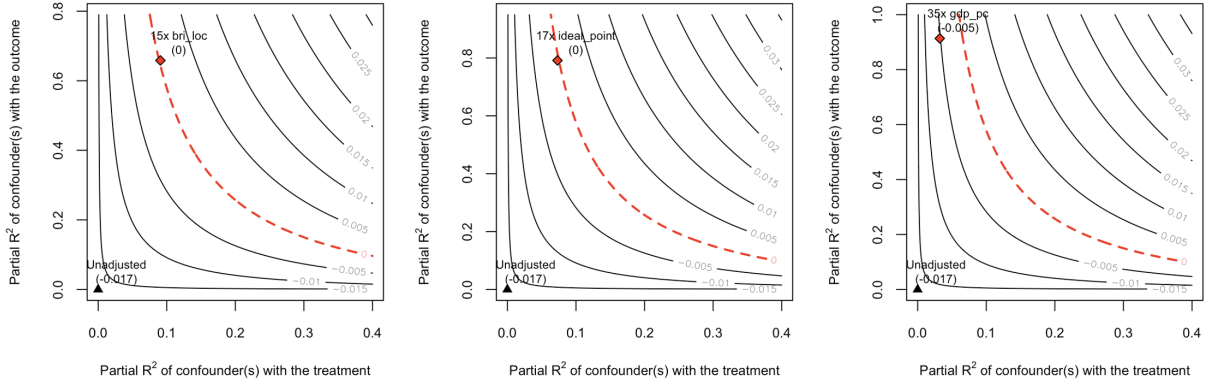


Figure E.4: Sensitivity Contour Plots of the Omitted Variable Bias for BRI locations (15x), Ideal Point score (17x), and per capita GDP (35x+)

## E.2 Propensity-Score Matching

## E.3 Control Function Method

To double confirm the results for issues like reverse causality, I adopt *control function method* (2SRI, Two-Stage Residual Inclusion in the probit case (Terza et al. 2008)),<sup>59</sup> which utilizes an instrument variable. A control function renders an endogenous variable exogenous and its common form is the residual after regressing treatment on instrument(s) and covariate(s) in the first stage. I then use *historical industrial intensity* of over a decade ago (2001-02, average industrial output as % of GDP) as a plausible instrument for the following reasons:<sup>60</sup> historical industrial intensity is one of the factors that affect historical imbalances which, for many countries, persisted due to a combination of structural factors explained, albeit (de)industrialization across countries.<sup>61</sup> Historical industrial intensity (which changes) should not directly affect attendance in 2017, apart from going through more *recent* external imbalances: it is not correlated with attendance, and neither theoretical nor empirical evidence suggests states blame the current order for historical industrial intensity as a grievance (echoing the null finding in Table 4, the “deindustrialization” column). Additionally, as described, the BRI summit is more of a political venue than economic practicality to resolve tangible issues. Even in an unlikely case where industrialists (e.g., firms in Italy or Singapore) push for leader’s attendance for cooperation, the estimate should bias toward zero (meaning the real

founders. See Appendix of the implementation details.

<sup>59</sup>2SLS (Two-Stage Least Squares) is for linear models.

<sup>60</sup>Industry output corresponds to ISIC divisions 05-43, including mining, manufacturing and construction.

<sup>61</sup>For example, China’s industrial intensity ... The average of autocracies... One typical reason for persistent imbalance is over-valued currency.

effect is further away from zero).<sup>62</sup> I view the specification with baseline controls in both stages as preferred, in case covariates like regime type may theoretically affect both historical industrial intensity and attendance.<sup>63</sup> The two stages are formally expressed as:

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

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

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

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

<sup>62</sup>Empirically, it's even harder to find cases that domestic actors in poor low-industrialized or de-industrialized countries influence state heads to attend, or equivalently, those in industrialized countries influence leaders not to go. Also I control for country characteristics including GDP per capita.

<sup>63</sup>I control for a host of country-level characteristics, which is common and theoretically desirable to mitigate omitted variable bias concerns (Abadie 2003), similar to Acemoglu et al. (2001).



	(0.156)	(0.297)	(0.167)	(0.170)	(0.186)	(0.188)	(0.190)	(0.166)
Num.Obs.	154	144	139	132	118	118	132	142
Pseudo $R^2$	0.378	0.406	0.355	0.404	0.406	0.399	0.419	0.412

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

Table E.1: Probit models: State's Attendance to 2017 BRI Summit

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

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

Table E.2: Probit models: Ten LIO Issues

## F Additional Evidence

### F.1 Inverted Influence of UNGA Vote Convergence

The second part of empirical tests is on the “inverted influence” hypothesis. As discussed above, the dependent variable is the voting convergence on human rights resolutions at the UNGA. To exclude the complicated influence such as historical, ethnic, religious or territorial factors that are often difficult to disentangle and make the model less efficient, the scope of states is limited to non-Asian countries. I also test other scope such as the Global South and all countries in the Appendix to show the result is not limited to non-Asian. A number of standard control variables are included to account for the influence on states’ foreign policies, as in Flores-Macías and Kreps (2013), the most systematic one on China’s influence, and Gartzke and Li (2003). The dependent variable, the UN votes convergence on human rights with China, takes on 1 if the country-pair voted in agreement, 0 if voted in disagreement, and 0.5 if one of the two abstained. The main predictor, trade balance with China (% in GDP), is the difference of exports and imports reported by a trading partner to the World Bank.<sup>64</sup> A few other economic variables that could potentially confound are controlled for: total trade volume with China (% in GDP) to account for trade power in the traditional literature, as well as the total trade volume with the US (% in GDP) to control for the counteracting US trade influence, also from the WDI. U.S. aid (% in GDP) is controlled for financial influence, retrieved from the U.S. Agency for International Development (USAID).<sup>65</sup> \*Natural resource rent rate (% in GDP) is controlled, since resource-oriented countries more likely generate trade surpluses with China and place less weight on normative issues. All economic data are lagged by a year. Joint democracy takes the value of one if both countries are not liberal democracies (-10 to 5 in Polity V) in a given year. A similarly non-liberal regime may choose to vote closer with China on human rights issues regardless. I also use the CINC (Composite Indicator of National Capabilities) that incorporate demographic, industrial, and military indicators, taken from the Correlate of Wars project (NMC v6.0), to control for the effect of national power on states’ foreign policy choices (Oneal and Russett

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<sup>64</sup>Bilateral current account balance is not traditionally collected. Less than 30% bilateral trade data is missing non-randomly, mostly for pre-2000 years and for smaller countries. Therefore, the results should apply more to more recent years and larger trading partners. A Multiple Imputation version is shown in the Appendix. An alternative data source is the COW project which however has the import/export inconsistency issue by using importer-reported imports data.

<sup>65</sup>Chinese aid data is not included: The only authentic data source Aiddata reports only ODA (Official Development Assistance)-like grants. Aiddata also lacks the pre-2000 period, and scrapes from open sources while much of Chinese aid remains hidden (Flores-Macías and Kreps 2013). Importantly, the OECD estimates that the Chinese aid in 2018 was \$4 billion, tenth among donor states, far behind the United States that provide \$34 billion.

1999). Lastly, a country's human rights practices are accounted for using the Political Terror Scale (PTS). Country fixed effects are included for unit specific, time-invariant omitted confounders such as distance or religion.<sup>66</sup> The data covers a period of 20 years (1992-2011), which ensures at least three country-specific human rights resolutions per year. Since external balances are stubbornly persistent and are primarily affected by structural economic factors and common external shocks such as global financial crises, only key year fixed effects of 2000/01/08/09 are controlled for, as well as for model parsimony for a limited number of countries. Another benefit of this is to observe the post-Iraq War anti-Americanism trend through a dummy variable ( $\text{year} > 2003$ ), as well as the year trend for the possible evolving perceptions of external imbalances.

#### *Instrumental Variable Approach*

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

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

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

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

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<sup>66</sup> A Hausman test has been run to rule out random-effects models.

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

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

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

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

instruments. The results of IV models are significant and consistent with main models, with larger magnitudes.<sup>67</sup> Although interpreting control variables theoretically is not advised (Hunermund and Louw 2022), it is interesting to note that the sign of total trade with China is negative even without trade balances. Combining the Pew report (2007) that “China’s expanding influence in African and Latin America is triggering considerable anxiety,” the negative coefficient suggests that unlike in the literature, even total bilateral trade may not bear the positive influence effect at least in the China case, while the soaring trade balance may be the key. Figure 9 shows the predicted marginal effects of bilateral trade balances with China across the values of total external balances: The effects of bilateral deficits become close to null when total current account or trade balances remain positive.

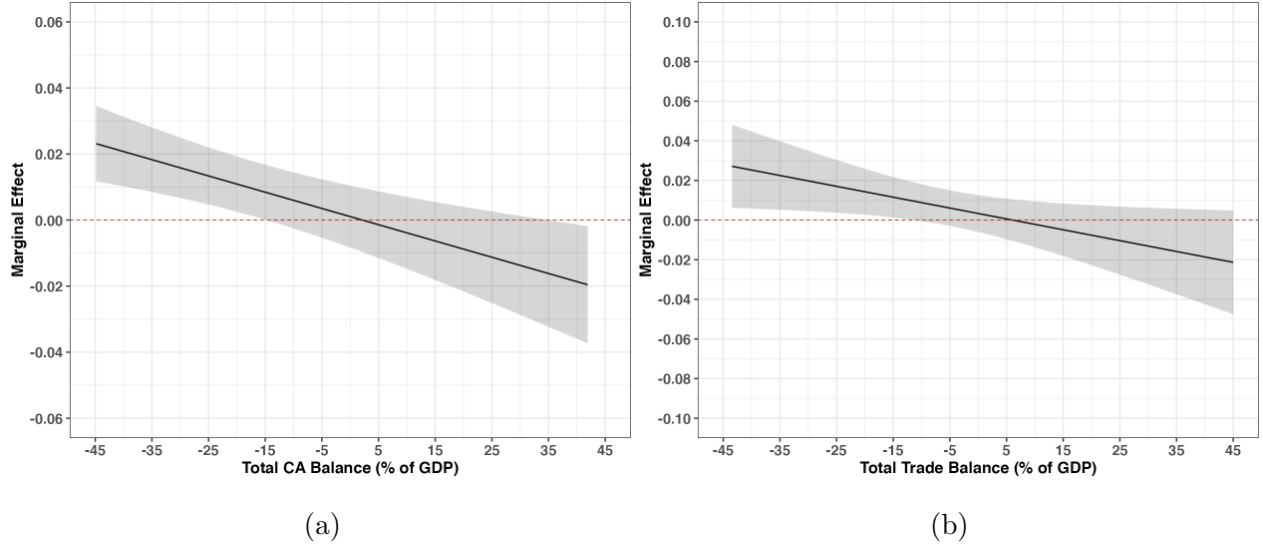


Figure F.5: Marginal Effects of Bilateral Trade Balance with China

## G Robustness Tests

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

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

<sup>67</sup>The larger magnitudes are similar to those in Flores-Macías and Kreps (2013), suggesting that the OLS models may have the known attenuation bias (Bound and Krueger 1991).

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