

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

George Yean*

November 17, 2025

Abstract How do issues of the Liberal International Order (LIO) affect the order? Decades of globalization has presented the LIO with mounting troubles or issues. I address this timely question by advancing an issue-based theory of state disengagement central to a contested order. Contested issues, I argue, don't automatically yield distributive gains favoring rising powers; rather, outside option endogeneity to the issues, rooted in globalization interdependency, reduces disengagement credibility while increasing order resilience. Moreover, for orders, high stay cost generated by issues is required: I conceptualize "helpless issues" – severe, persistent, and systemic ones states can't resolve alone – as conducive to disengagement even absent competitive outside options. I test the theory in the context of global imbalances, a contentious, yet politically understudied issue. States' disengagement by deficits diminishes facing bilateral imbalance with China *vis-à-vis* financial appeal, whereas non-helpless issues show no disengagement. Employing multiple identification strategies, Large-language-model (LLM)-based global media analysis, and qualitative cases, with mechanism evidence from UNGA voting and support for Russia's war, I provide new insights into globalization backlash, U.S.-China competition, and the LIO's future.

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

1 Introduction

China, whose trade surplus exceeds \$1 trillion today, faced a different reality in the 1980s: mounting trade deficits. Chen Yun, then Chinese economic czar, abhorred the ballooning imbalances; the nation had to cut back scarce investments to restore balance-of-payment sustainability (Feeney 1989; Zweig 2002). Four decades later, persistent trade surpluses have transformed China from a prudent spender into a global creditor holding trillions in reserves.¹ The U.S., with staggering, persistent deficits, waged a global trade war while competing with China for global leadership.

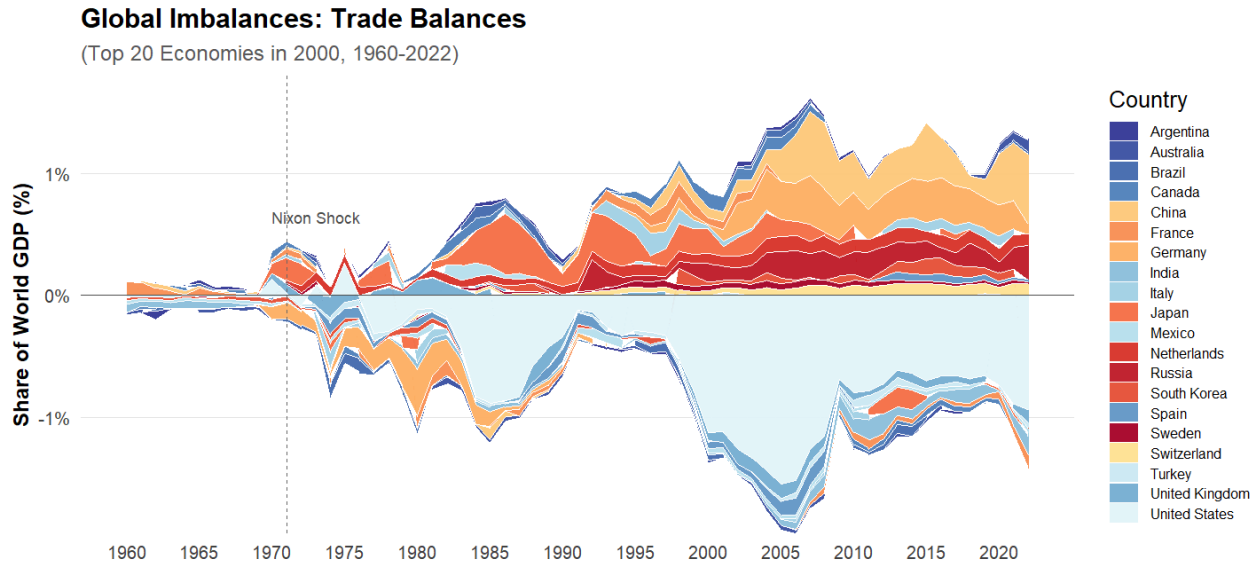


Figure 1: Global Imbalances in Trade Balance. Note: data from the World Bank. See similar patterns for current account balance in Figure A.1.

External, or more broadly, global imbalances, have become a contentious LIO’s *issue* or *trouble* yet drawing little attention from political scientists.² Moreover, the LIO is in crisis mode with a multitude of issues, 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.”³ The crisis lies in its source issues: internally, the LIO has been plagued by economic, social, governmental, security, and ideational issues such as financial crises, under-representative governance,

¹Half of China’s surplus comes from trading with the U.S. China also maintains surpluses with over 90% of all countries (see Figure A.3)

²Global 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.) Although bilateral imbalance isn’t often a problem, *persistent, aggregate* external deficits imply structural threats to economic development and stability (Blanchard and Milesi-Ferretti 2009; Obstfeld and Rogoff 2009).

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

or developmental inequality, including Trump’s disregard for LIO’s norms. Externally, the order is increasingly challenged by autocracies which reject its normative tenets (Ekiert and Dasanaïke 2024).⁴ These issues are both high-level LIO contestations and real problems individual states wrestle with; they differ in form but share analytical similarities as explained below.

What do issues within the LIO mean for its future, especially as the hegemon disregards its norms while an authoritarian rising power builds a competing one (Doshi 2021; Lake et al. 2021)? When and how do contested issues like global imbalances or inequality lead states to defect to a challenger, crucial for both an order’s influence, legitimacy, and viability (Gray 2018; Ikenberry 2011; Keohane 1984) and the returning great-power competition? Do varied issues matter differently? Past studies suggest problematic issues within institutions result in diminished legitimacy, dysfunctional governance, and crippled performance (March and Olsen 1984; North 1990; Pierson 2000), yet an international order is vastly different from domestic or usual international organizations (IO). Classical power-transition or order theory predicts dissatisfaction simply leads to state dissent ranging from shunning the hegemon (e.g., Japan’s skipping of the 2025 NATO summit) to seeking alternatives assumed *exogenous* – but the dynamics of today’s globalized order are more complex, entangling interests across actors.

I develop an issue-based theory of order contestation focusing on constituent states’ disengagement behavior, namely their shifting support from the LIO toward competitors. I argue that contested issues, states, and outside options interact to collectively shape disengagement, more complex than in classic transition or order theories. This is because globalization has built entangled interdependency: when rising powers as outside options are endogenous to the contested issue – e.g., they (partially) cause or worsen it – it reduces the disengagement likelihood of states by increasing the costs of “exit” (e.g., sunk, opportunity, reputational) while lowering its expected benefits. For instance, one is unlikely pushed to the USSR or China over proliferation or import competition concerns within the existing order, *ceteris paribus*. Consequently, this may reduce dissenters’ bargaining leverage (Lipsy 2015), while paradoxically increasing LIO’s resilience by retaining states and discrediting external alternatives.

Moreover, even with exogenous outside options, I contend, not all contested issues possibly cause disengagement, as an international order is unique for its high disengagement costs and limited outside options, rendering disengagement substantively harder. I propose one typology that

⁴Strikingly, autocracies are correlated with higher persistent external surpluses (China, Russia, and Saudi Arabia as top three in 2022).

conceptualizes and highlights what I term “helpless issues” of the LIO – critical, persistent and systemic ones individual states are unlikely to resolve alone. Examples are persistent global imbalances and recurrent financial crises *versus* low growth or inequality. Such issues are sufficiently high on all four dimensions, namely stubbornness, severity, attributability to the order, and unaddressability – combined, it means LIO-imposed high stay cost, making disengagement likely (even absent competitive outside options). Conversely, if any dimension is low, stay cost remains much lower and “exit” becomes irrational.

I test the theory in the context of global imbalances through a comparative lens with a series of issues. I focus on global imbalances for its substantive importance and also to illuminate the nature of a politically understudied globalization issue. Moreover, global imbalances are ideal due to its contestation nature among states and negative connection to China on trade *vis-à-vis* finance, while sharing analytical features (e.g., outside option and four dimensions) with others, allowing more external validity.

I show that global imbalances are correlated with long-term development performance disparity connected to widespread grievances, potentially delineating state-level “winners/losers” informing policy debate. For the main hypotheses, I employ varied identification strategies with extensive sensitivity analysis and robustness checks. Consistent with my theory that issues, states, and outside options collectively shape disengagement, I find that states with higher persistent current account (not trade, as expected) deficits are more likely to support Chinese leadership. This effect is indistinguishable across geopolitical relations, race, or regime type, suggesting broader applicability. Moreover, when states’ total deficits are negatively connected to China through higher bilateral trade deficits, it significantly moderates the above shifting support. Furthermore, joint tests across ten major LIO issues suggests that only “helpless issues” like global imbalances or financial crises trigger disengagement – a finding further supported across four “helpless” dimensions by an LLM-based news analysis 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 support for the key logic – dissatisfaction causes behavioral change – using analyses of UNGA voting and supporting Russia’s war.

This paper makes several contributions. First, it advances the expanding scholarship on globalization backlash which primarily examines how globalization affects domestic politics (Autor et al. 2020; Chilton et al. 2017; Walter 2021). This paper focuses on the LIO systematically through its

issues, centered on how issue endogeneity and heterogeneity affect order contestation and great-power politics, helping diagnose the source of crisis and guide policy priorities. It also substantiates power transition and order theories (Organski and Kugler 1980, Gilpin 1981, Ikenberry 2011) by further disentangling the underlying mechanism. Outside options are not exogenous and issues vary: 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. Moreover, I add to the growing literature on how economic interdependence shapes international politics (Lipsky 2015; Gray 2018; Zürn 2018). My findings reinterpret interdependence as simultaneously undermining and sustaining the LIO. LIO-shaped interdependence has agitated the hegemon, empowered rising powers, and fueled dissatisfaction, yet it embeds all parties in the very issues that provoke discontent.

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. This inadvertently increases order resilience while explaining why China seems struggling to form a competitive order albeit economically powerful.⁵

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)

⁵The U.S. is competing with China mainly through finance, aid, and infrastructure, but limited in trade, governance, or civil society where China is problematic – consistent with my theory.

Seven decades after World War II, the LIO – widely credited with advancing peace and prosperity – is now confronting a complex array of challenging issues spanning the economic, social, political, security, and ideational realms (Ikenberry 2011; Lake et al. 2021; Rodrik 2019). Many of these challenges stem from the very rules and institutional design of the order – especially the post-1970 neoliberal turn that greatly liberalizes global trade, finance, regulation, and other forms of cooperation (Blyth 2002; Helleiner 1994; Slobodian 2018; Williamson 1990), *vis-à-vis* the earlier, more harnessed “embedded liberalism” period (Ruggie 1982). The very issues generate grievances among member states, reflecting distributional tensions and perceived inequities embedded in the order’s operation.

Global imbalances remain a salient issue, defined as the long-run cross-country differences in current account balances (Blanchard and Milesi-Ferretti 2009; Chinn and Ito 2022), primarily constituted by trade balances (Barattieri 2014).⁶ Global Imbalances saw early signs in the 1970s when Nixon embraced floating exchange rates and were essentially facilitated by much liberalized global finance and trade (Chinn and Ito 2022; Dooley et al. 2003). Global imbalances indicate structural issues (Obstfeld and Rogoff 2009) and are regarded as “probably the most complex macroeconomic issue” (Blanchard and Milesi-Ferretti 2009) that “dominate policy debate” (Chinn and Ito 2022).

The characteristics of global imbalances can be summarized as non-randomness, persistence, and high magnitude. *Non-randomness* refers to the fact that there is a relatively fixed divide between specific surplus and deficit countries (Figure 4).⁷ *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).

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 factor 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/export sectors, asymmetric trade costs (Cuñat and Zymek 2022), or mercantilist trade policies (Dooley et al. 2003). Epifani and Gancia (2017) show that an undervalued exchange rate allows a country to run surpluses and agglomerate global production.

⁶Current account includes trade balance, net foreign income, and net transfer payments.

⁷Between 2000 and 2017, 95 of 153 countries (as reported by the World Bank) recorded average trade deficits.

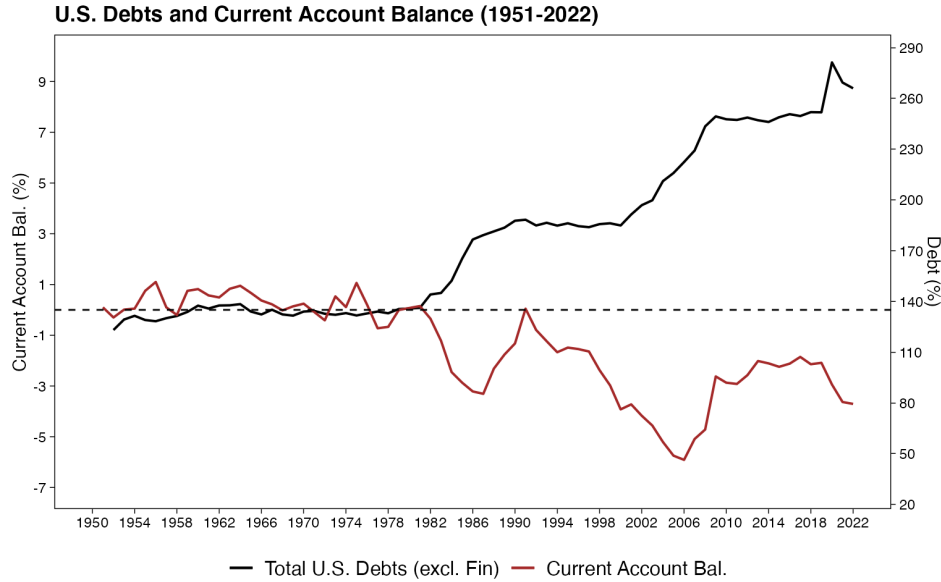


Figure 2: U.S. Total Debt and Current Account Balance (Source: Federal Reserve). *Note:* The U.S. case matches well the income-expenditure differential logic and is more of saving drought instead of investment booms (Chinn and Ito 2022).

(merge this and next)

As for impacts, first, as income-expenditure differential, persistent external deficits contribute to burdensome debt (Frieden and Walter (2017), see Figure 2 for the U.S. case), which is prone to economic instability (Obstfeld and Rogoff 2009; Bernanke 2011),⁸ constrains domestic investments (Graham et al. 2014), and raises solvency concerns.⁹ Many debt-replete developing nations rely on capital inflows (e.g., loans) to finance deficits, while surplus countries accumulate foreign reserves and many become global creditors. Second, imbalances are linked to “demand distribution” (Chinn and Ito 2022), where foreign demand is “won,” for instance, through “beggar-thy-neighbor.”¹⁰ As trade theories show, the majority of gains in productivity, income, and innovation comes from exports (Bernard et al. 2018; Ohlin 1933).

Thus unsurprisingly surplus countries are correlated with a strong industrial sector (Epifani and Gancia 2017), which is positively correlated with economy of scale, productivity growth, R&D concentration, and export capacity (Buera and Kaboski 2012; Greenstone et al. 2010) (Prasad 2007). The three surplus-concentrated areas – core Europe, East Asia, and Gulf region – often exhibit

⁸Debt increases even when temporary deficits reflect economic booms; Global imbalances significantly contributed to the 2008 Financial Crisis (Obstfeld and Rogoff 2009).

⁹Even 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).

¹⁰E.g., China represents 12% in global consumption share but 32% in manufacturing output (2020, World Bank) and foreign demand promotes domestic economy (Jeanne 2021).

envied economic development, fiscal capacity, and infrastructure. Even within the Eurozone, deficit countries such as Greece, Portugal and Spain, perform poorly compared to their surplus counterparts such as Germany, the Netherlands and Switzerland. 17 out of 20 countries with the highest R&D expenditure-to-GDP ratios have recorded average external surpluses for decades.¹¹ Figure 4 shows the correlations between three-decade (1996-2020) averages of current account balances and major development indicators.¹² Noteworthy is that surplus country that has better development performance counterintuitively has lower tax rate and debt.¹³

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

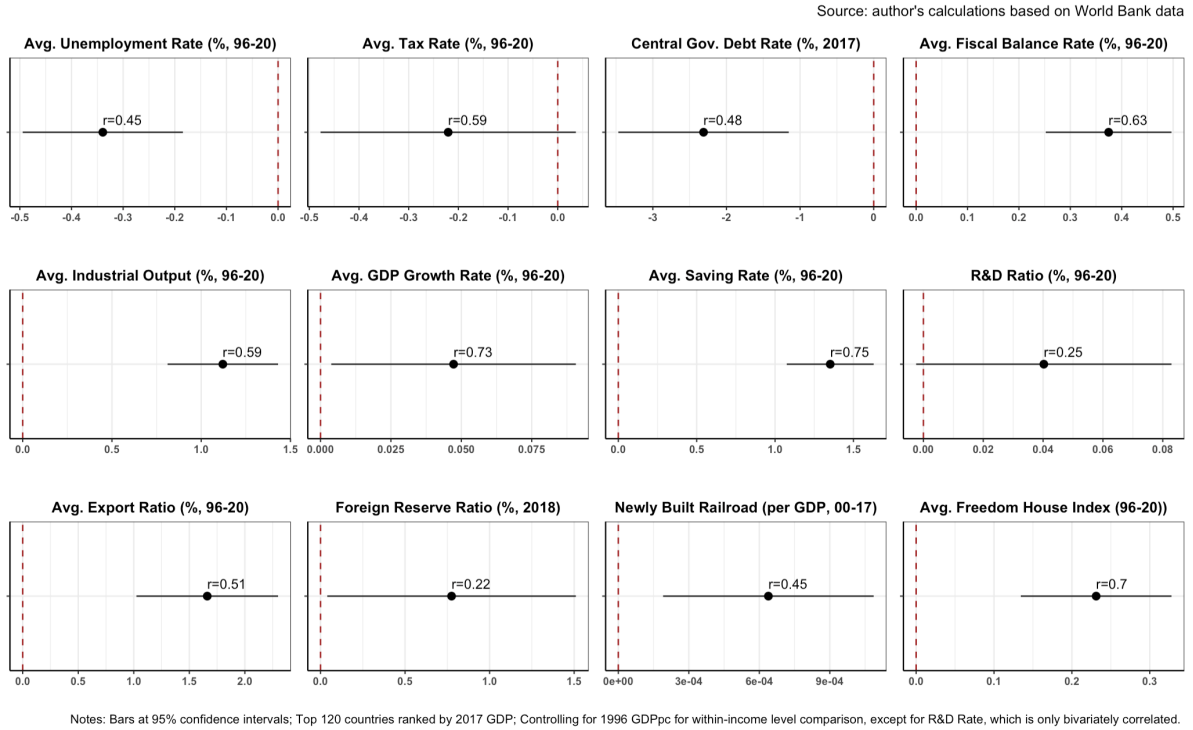


Figure 4. *Correlations between Current Account Balances and Development Indicators.*

The above relationship implies the potential connection between national economic performance and global imbalances beyond conventionally acknowledged.¹⁴ As we will see, the relationship is twisted with states' perceptions, playing a key role in my theory.

¹¹See <https://ourworldindata.org/grapher/research-spending-gdp>. (accessed on September 10, 2024.)

¹²Among top 120 countries sorted by GDP (2020), conditional on per capita GDP of the starting year 1996.

¹³The magnitude is significant – for example, a ten-point increase (commonly seen) in current account balance is associated with 20 percentage points lower in central government debt rate.

¹⁴For example, Roubini (2001) claims that whether deficit matters depends on the debt-to-GDP ratio.

3 Theory: How Issues Affect International Order

Issues are key to LIO’s contestation; I develop an issue-based theory on the micro-foundation for understanding how dissatisfaction emerges and diffuses within the LIO. An international order can be impacted in multiple ways: violating rules and norms, waging conflicts, subverting institutions, or abandoning support. Constituent support is fundamental for the LIO relying on satisfied states to preserve the system (Ikenberry 2011), hence my theoretical and empirical focus. 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 a opportunity to theorize how issues may play out.

Power transition theory argues that rapid balance-of-power shift and dissatisfaction create disequilibrium for challengers (Organski and Kugler 1980). Although major global wars required for transition may be unlikely today, non-military channels remain open. As such, it’s also about “voters,” or dissatisfied states by issues who can be pushed to the challenger (Broz et al. 2020; Ikenberry 2011).¹⁵ Yet, the theory at least misses two key elements: how issues and the challenger themselves matter. China’s ascent through deep integration into the existing hegemonic order, differs markedly from earlier ones like Germany or the Soviet Union. Decades of globalization have created complex interdependency that inevitably binds China to many of the contested issues within the order.

From Psychological Update to Behavioral Change

One common reaction of states (or state leaders) to LIO’s issues is psychological grievance (Broz et al. 2020; Lake et al. 2021). Contested issues embody specific institutional arrangements and distributional consequences that advantage some while constraining others. Over time, these asymmetries generate grievances that emerge from the very operation of the order itself. Such issue-generated discontent shapes states’ incentives to sustain, reform, or disengage from the LIO.

Grievance implies deep, persistent dissatisfaction. In domestic politics, grievances can lead to lobby for protectionist policies, vote for populist candidates, or demanding compensation (Autor et al. 2020; Kim 2017), as well as triggering social movements (Tarrow 1998). The individual-level sentiment, when aggregated through varying institutional settings, substantively shape foreign policies (Moravcsik 1997). More often than not, those who care more possess concentrated political power (e.g., concerned elites or industry associations) than silent, dispersed individuals (e.g., con-

¹⁵Broadly speaking, issues play an important role in international relations such as formulating institutions, issue-linkage bargaining, or issue-induced conflicts.

sumers), especially when concerns are legitimized, be it resentful or sociotropic. Tensions arise when leaders associate domestic problems with issues, or when politicization occurs (Walter 2021).

For leaders who decide state behavior and rightly attribute their issues to the LIO, grievances should lead to states’ attitudinal and behavioral changes toward the order.¹⁶ Rational-choice institutionalism or functionalist IO theory argues that members’ behavior is shaped by the calculus of the institution’s rules and expected outcomes (Hall and Taylor 1996; Keohane 1984). States support an order (or an institution in general) due to satisfactory outcomes (Ikenberry 2011; Keohane 1984). It follows that grievances will lose states’ support. Logically, grievances may suggest net negative utility which suggests the need to exit, as staying equates to continuously observing rules (e.g., restrictions on currency, capital, trade, or industry interventions) that perpetuate pain.

However, an order differs fundamentally from a usual institution: given limited outside options (Lipsky 2015), an exit here should be considered *broadly* – as no other order is yet on par, we should more reasonably expect actively seeking outside options or leadership support shift than an actual exit, albeit similar logic. We should also expect higher bars – “non-significant” issues hardly justify shifted support because of the cost required. Apart from the sunk costs a state has incurred within the LIO, studies, for example, show that LIO institutions favor states with closer relationship with the U.S., implying opportunity cost otherwise (Carnegie and Clark 2023). Plus, supporting a less competitive order led by autocracy entails potential reputational (or audience) and uncertainty (or inconsistency) costs.

The logic in point echos the “exit” concept in IO literature. IOs facilitate cooperation through mutual benefits and norms (Johnston 2001; Keohane 1984), otherwise IOs can dissolve through 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, echoing Hirschman (1970)’s “exit, voice and loyalty” framework and the psychological and constructivist literature that concerns substantiated by (non)material gains portend deference/conflict patterns (Dafoe et al. 2014).

The shifted support accords with power transition theory. Note that due to the competing nature and oft-conflicting sets of rules and norms between the LIO and a potential China-led order (Broz et al. 2020), dissatisfied states are less able to selectively support both especially in a bipolarity structure (e.g., hedging). Thus, the shifting support undermines LIO’s legitimacy and impedes

¹⁶Here I do not distinguish between the LIO and its sub-orders, since: 1) the LIO is arguably an all-encompassing and integral order in my case (Lake et al. 2021), 2) many (especially the Global South) complain about the order and do not share its sub-order interests (e.g., political and security so that they may quit it all together), and 3) China’s emerging order is also all-encompassing.

cooperation. Noted also is that the logic above is mainly a “push” story rather than pure “pull” by benefits of support – that is – it relates to *both* the LIO and China (see Alternative Explanations for more discussions). Nonetheless, as I further argue, two mechanisms make the transition theory more complex: 1) how outside option relates to the issue, and 2) the salience of the issue itself.

Outside Option Endogeneity. Traditional order or transition theories assume exogenous outside options, paying limited attention to how they relate to specific issues at stake. IO literature primarily examines how the creditability of outside options to usual IOs of varying characteristics affects bargaining dynamics (Lipsky 2015; Veeten 2001). My theory endogenizes outside options to the disputed issues within an order and examines how this reshapes states’ shifting support (deviation).

The attractiveness or credibility of an outside option is a function of the balance between the expected costs and benefits of deviation. States face stay cost due to disputed issues and deviation costs as discussed. States also expect deviation benefits such as future gains from supporting a rising power or potentially increased bargaining power on the issue within the LIO. When the expected deviation benefit exceeds deviation cost, shifting support becomes likely, otherwise outside options become less credible.

Assuming the baseline case in which an outside option is exogenous to the issue at stake, a net positive deviation utility may lead to the corresponding level of likelihood of shifting support. However, any potential aggravation of the issue by the outside option decreases the utility gain of the baseline. For example, expected issue relief can decrease and less credible outside options can reduce expected bargaining power. In other words, the likelihood of shifting support diminishes.¹⁷ As such, the mechanism reflects “interdependence resilience”: interdependence that empowers the rising power entangles it in the contested issue it may otherwise exploit.

Issue Intolerance (Stay Cost) Heterogeneity. Issues differ in intensity and tolerability. Backing a competing order being costlier than supporting alternative usual institutions suggests a more intolerable issue, *ceteris paribus*. Path dependency and varied costs indicate that the issue considered entails complex trade-offs for rational leaders. The competitiveness of outside options adds to that, moreover. Keeping outside option endogeneity fixed, uncompetitive outside options increase deviation costs (e.g., more uncertainty) while lowering expected benefits, requiring more

¹⁷Note if the deviation is triggered by issue B rather than A being contested, outside options endogenous to A may not matter.

highly dissatisfactory issues (which can lower reputational cost through justification). In other words, with sufficiently high stay cost, even low-credibility outside option becomes attractive. In contrast, competitive outside options lower deviation costs and increase expected benefits; then the pull (rather than push) mechanism may dominate, and even small dissatisfaction can lead to shifting support.

I accordingly theorize why some issues rather than others may particularly trigger states' shifted support for an order.¹⁸ The mechanism so far suggests such issues should incur sufficiently high stay cost. I posit one possible case: absent competitive outside orders, shifted support becomes likely for rational leaders *if* all four dimensions are high: stubbornness, severity, attributability and unaddressability – my conceptualization of “*helpless issue*” through a comparative lens. A helpless issue has to be *persistent*. Temporary economic downturns are unlikely to cause lasting damage and may heal over time. Import shocks, for instance, can be mitigated with policy assistance. *Severity* refers to the degree of pain an issue inflicts, either factually or perceptually; ideally, the pain should be widespread – otherwise, states won't feel enough stay cost. For instance, U.S. anti-dumping discrimination is unlikely to inflict deep harms on a nation compared to financial crisis. *Attributability* refers to the fact that while a state may suffer persistent and severe grievances, they must be largely attributable to the LIO – one would not leave an innocent order particularly given uncompetitive alternatives. The last condition is *unaddressability*: states will not leave if issues can be addressed relatively easily. Economic inequality aggravated by globalization can be mitigated by domestic redistribution. All four dimensions arguably are *necessary conditions*, meanwhile, they are also arguably sufficient enough without requiring extra ones.

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.

¹⁸This is not to say other issues may not matter, but may have milder consequences.

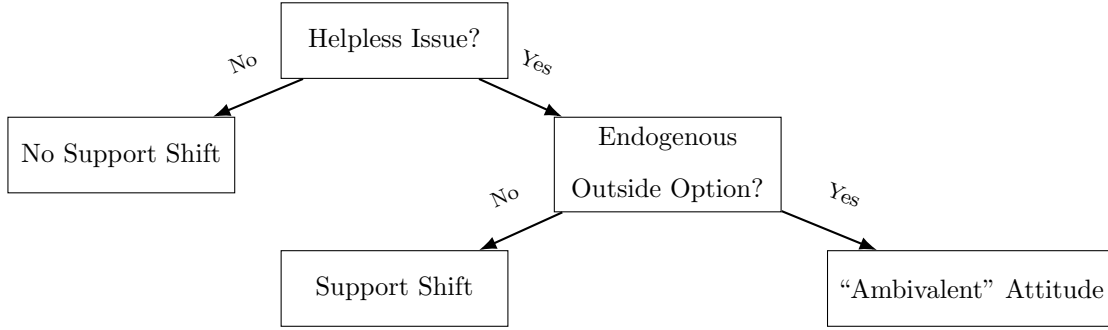


Figure 3: Illustration of the Mechanism.

I provide a formal model to illustrate the whole logic above in Appendix. In sum, the whole process with regard to supporting a competing order is depicted in Figure 6, which shows a more complicated mechanism than the traditional power transition theory suggests.

4 Applying to Global Imbalances

I apply the theory to global imbalances and generate testable hypotheses. Global imbalances are an ideal issue rich in features: significant in itself, raising discontent, connecting to outside options, spanning various domains, and sharing theoretical and analytical attributes with many other issues, such as stubbornness, severity, attributability to the LIO, and addressability – thereby allowing more generalizable claims. The application also serves to illuminate the political nature of global imbalances as an understudied phenomenon in international relations.

Global imbalances generate *lasting, cumulative* grievances, which encapsulate long-term negative perceptions about deficits. An economic phenomenon’s political impact is dependent upon perception (Mansfield and Mutz 2014). The aforementioned correlations may also lead leaders to believe that persistent deficits indicate state-level losers. I show that the public and especially the better-informed leaders perceive the issue fairly adequately from varied aspects.

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 experience (Barnes and Hicks 2020). The word “deficit” conveys negative, abnormal connotations especially among conservatives, and anomaly psychologically puts 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 17/8th centuries were as

concerned about the impacts on national economy and power (Irwin 1998). John Keynes, while not mercantilist, proposed the International Clearing Union to address imbalances’ destabilizing effects (Crowther 1948), whereas Milton Friedman, arguably a less concerned monetarist, warned that poor savings may lurk (Friedman and Friedman 1980). Even today, media coverage or government reports are generally more negative on deficit. The OECD or IMF has long viewed imbalances as threats to macroeconomic stability (Delpeuch et al. 2021). Within the EU, for instance, a current account deficit over 4% for a sufficient time triggers control procedures.¹⁹

Peer Contrast – Grievances may be also amplified by peer contrast. Strengthened by notable pundits like Stiglitz and Bernanke who blame surplus countries for hindering the development of others,²⁰ the contrast is more pronounced when one faces socioeconomic troubles. Without understanding the causes, policymakers may believe or even politicize spurious correlations and blame “winners.” Like the public sentiment quoted above (Krugman 2019), the elites (especially conservative and nationalist) share similar perspectives: Trump and supporters characterize deficit with China as rendering the country “biggest loser.”²¹ Global imbalances linked to “demand competition” and aggregated to zero may engender a feeling of “zero-sum” and injustice (Marx 1867; Rawls 1971), which can be enhanced by geopolitics. Table 1 shows some examples of states’ concerns over *bilateral* imbalances, across both space and time.²²

¹⁹“Fawltly Europe,” The Economist, November 2013.

²⁰See Joseph Stiglitz, “Reform the euro or bin it,” The Guardian, 5-May-2010, and Ben Bernanke, “Germany’s trade surplus is a problem,” Brookings Institution, 3-April-2015.

²¹“How Trump Could Be Blocked at a Contested Republican Convention,” New York Times, 15-April-2016.

²²Notably, states’ complaints may be suppressed by the common “deficit doesn’t matter” narrative; the latent concerns may be more than empirically observed.

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

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

*1985, trade imbalance must be rectified, says china

*1988, china looks to cutting trade deficit with australia

*1993, imbalance worries china as taiwan trade soars

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

Expectation Gap – Lastly, temporal contrast between expectation and outcome can strengthen grievances. Believing in “Washington Consensus,” numerous states embraced liberalization during the 1980/90s (Quinn and Toyoda 2007). The rationale extends to broader modernization efforts – socioeconomic development, political benefits, and national strength (Krasner 1985). Yet, states had inherent preferences: they viewed external balances as a precondition for liberalization (Simmons 2000; Quinn and Toyoda 2007). Thus, while expectations led states’ acceptance of LIO rules, unwanted outcomes produce dissatisfaction.²³

²³E.g., in the 1980s, the IMF began pushing states to remove controls on short-term capital flows (Stiglitz 2004).

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

Indeed, there’s abundant evidence on how external imbalances lead to political and economic tensions. The War of Jenkin’s Ear (Young and Levy 2011) and the Opium War between Britain and others were partly due to trade imbalances.²⁴ More recently, troubling balances of payments can hinder the acceptance of economic openness (Simmons 2000) and lead to trade restrictions (Broz et al. 2016). Imbalances have been shown to predict domestic protectionism (Delpeuch et al. 2021), and higher deficits diminish public support for free trade (Spater 2024). When disaggregated, increased imports or purchases from foreign firms can result in more amiable policies of host countries (Cutrone and Fordham 2010; Johns and Wellhausen 2016).

Leaders also can properly attribute the grievances to the LIO from both theory and historical experience. Apart from imbalances’ LIO-linked causes, most states, before they significantly liberalized economies in the 1980/90s, didn’t have persistent imbalances, which hardly exist absent heightened globalization. Moreover, liberalization largely tied leaders’ hands unlike in the Bretton Woods period (Stiglitz 2004; Quinn and Toyoda 2007) – thus they unlikely fully blame themselves on this global phenomenon. Since 1971, the balance-of-payment issue had knowingly and constantly worried many governments, and became an impediment for deepening liberalization (Broz et al. 2016; Quinn and Toyoda 2007), for which the IMF established specific funds “designed to stabilize balance-of-payments (Dreher 2002).”

Testable Hypotheses

First, Global imbalances closely follow the first mechanism of “endogenous outside option” above because of its relationship with China between finance and trade domains. 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 emerged as an attractive source for loans and investments, China’s trade practices have been described as mercantilist, operating as “China Inc,” or even predatory and coercive (Cha 2023; Wu 2016). Behind “China shock” worldwide is surplus with most trading

²⁴See National Archives: <https://www.nationalarchives.gov.uk/education/resources/hong-kong-and-the-opium-wars>.

partners (Figure A.3). With pushing for “self-sufficiency,” even its long-term input suppliers – South Korea and Japan – started running bilateral deficits. Interestingly, African countries, eager for investments, complained that they cannot rely on Chinese loans anymore, necessitating rebalancing trade to “service mountains of debt, much owed to Beijing.”²⁵ In other words, they turned to China for finance and became cautious once hit by rising imbalances.

This implies that states should react differently to current account and trade imbalances. Other than their theoretical difference, empirically, states do pay attention to both imbalances.²⁶ China may be a potential solution for financial problems, but if they run bilateral imbalances with China, their support shift will be moderated. Accordingly, I derive the following four hypotheses differentiating the mechanisms between finance and trade:

H1.1: A state’s higher long-term current account deficit should increase the likelihood of supporting Chinese leadership.

When bilateral trade imbalance appears, 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.

While current account deficit alone as a financial issue may be unrelated to China, trade imbalance should be perceived as more endogenous 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: A state’s higher long-term trade deficit 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

²⁵ “Insight: Africa’s dream of feeding China hits hard reality,” Reuters, 28-June-2022.

²⁶ Two imbalances often exhibit related, imbalanced patterns; however, their values can differ greatly with sometimes opposite signs for individual countries (see the Appendix). The empirical section has more discussions on treating them separately.

will be more negative.

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

Second, Global imbalances belong to “helpless” issues: it persists for certain countries; it is associated with substantial socioeconomic impacts; it is highly attributable to the LIO; and it’s beyond individual countries’ capabilities to resolve.

For evidence, South Africa’s *Business Day* (2016) observes “...persistent current account deficit is regarded as one of the country’s major vulnerabilities...” Kenya’s *Business Daily* (2013) and *The New Zealand Herald* (2018) similarly 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, huge trade imbalance... haunting our economy for long but unfortunately no solution...”

A comparable grievance is the recurrent financial crises for some countries. Broz et al. (2020) depict that financial crises produce severe political and economic consequences, persistently attack some, are attributable to the current order, and surpass national governments’ capabilities. For comparison, Table 2 lists ten potential issues that are often attributed to the LIO, spanning trade, finance, development, and governance. Each of the four conditions is assessed and explained by author and confirmed by two domain experts (see the rationale in the Appendix). It is coded as high, moderate, or low. Among them, global imbalances and financial instability are high for all four conditions, while the remaining eight issues are not.

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

H3: Only helpless issues such as global imbalances and financial instability should lead states to support Chinese leadership.

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

Table 1: Summary of Issues and Their Characteristics

5 Empirical Analysis

I combine multiple methods to test the theory. I first exploit observational data that include states’ support for Chinese leadership using multiple identification strategies combined with a case illustration and an LLM-based textual analysis of media coverage. Additionally, I test capital account policy, supporting Russia’s war, and UNGA voting patterns to provide evidence for my mechanisms.

5.1 Data and Measures

Dependent Variable: Supporting Chinese Leadership

I contribute to the literature by adjudicating three potential measures of supporting Chinese leadership based on existing studies and show their validity in my context. The measure ideally needs to 1) capture Chinese leadership, and 2) require considerable support cost. In an era of “building a China-led order,” there have been arguably three historically focal points we may exploit to measure support: becoming the AIIB (Asian Infrastructure Investment Bank) founding members, attending the first BRI summit, and applying to join the BRICS in its initial rounds.

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

imbalances and in turn requires states to submit funds for share subscriptions, which is especially hard for deficit states.²⁷ It's thus more seen as commercial opportunity than leadership support; in fact, many European founding members are unsurprisingly surplus states such as Germany, Switzerland, and Scandinavian countries.

Sending State Heads to the 2017 BRI Summit – Broz et al. (2020) seminally propose a behavioral measure for supporting Chinese leadership. Their theoretical framework of “leadership transition” posits that states are pushed to China due to long-lasting financial instability in the U.S.-led order. They argue that sending *state heads* to the 2017 BRI summit (rather than becoming one of BRI's over 150 members) is a stronger signal than other measures.²⁸ They list four reasons: The BRI is the alternative leadership China actively provides in the wake of Trump's inward-looking shift. The BRI is a unique Chinese vision exogenous to the current order (so that support won't be misinterpreted). Sending state heads is a costly signal of validating Chinese leadership, especially when a Western order still dominates and China is an illiberal state. Finally, the communiqué targets existing order's problems.

Applying for initial BRICS Membership – Before Russia's invasion of Ukraine, the BRICS was largely in name only with diverging strategic interests.²⁹ While China, accounting for 70% of the bloc's economy, wishes to use the bloc to counter the G7, South Africa says it's “extremely wrong” to be anti-West.³⁰ Despite the geopolitical tensions and huge deficits with China, India is a partner to Russia, while Brazil's populist president actively pushes for de-dollarization. These mixed signals obscure the bloc's potentials and applicants' motivations, making it a problematic measure for Chinese leadership. Unlike the BRI attendance, states may be more skeptical: regional power Indonesia turned down invitation, citing its fragility and lack of unity, followed by Argentina.³¹ As of September 2023, 12 out of 19 countries who have formally applied to or will join the BRICS all after Russia's war are autocracies (Polity < 0), compared to only 7 of 29 in the BRI summit.³²

In sum, sending state heads to the 2017 BRI summit is arguably the only applicable measure of supporting Chinese leadership, same as in Broz et al. (2020). Unlike Broz et al., I do not necessarily distinguish Chinese economic leadership or general leadership, neither do transition

²⁷Article 5, Articles of Agreement of the AIIB.

²⁸Although membership can also be a signal (Davis 2023), in this context, state heads' attendance is a stronger, more costly signal than the almost universal, cost-free BRI membership.

²⁹“BRICS is doubling its membership,” Atlantic Council, 24-August-2023.

³⁰“China urges Brics to become geopolitical rival to G7,” Financial Times, 20-August-2023.

³¹“Analysis: Indonesia joining BRICS,” The Jakarta Post, 4-September-2023.

³²See <https://en.wikipedia.org/wiki/BRICS>.

theories; China’s BRI initiative stretches beyond economic domains. In the Appendix, I run tests with all three measures and the results are consistent with my expectations.

Independent Variable: Measuring Grievance

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

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

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

5.2 Testing “Outside Option Endogeneity”

Probit Models

As in many observational studies, causes can remain latent generating effects unwittingly; policy-makers may simply feel discontented by a combination of grievances. It may be hard to expect leaders to publicly and clearly associate the varying discontent with summit attendance, especially regarding supporting an authoritarian challenger. I rely on varied identification strategies among other validations.

$$\Pr(\text{Attendance}_i = 1) = \Phi\left(\beta_0 + \beta_1 \text{AvgBal}_i + \beta_2 \text{BalChina}_i + \beta_3 \text{AvgBal}_i \times \text{BalChina}_i + \beta_4' \mathbf{X}_i\right)$$

By adopting the dependent variable (DV) “sending state heads to the 2017 BRI summit,” I first base my model specifications on previous studies Broz et al. (2020) to estimate probit models.³³ Of the 29 states that sent state heads, 18 ran average current account deficits over two decades, and

³³I also estimate a Bayesian model due to a relative small sample size and the results are consistent (see Appendix).

15 had over five financial crises since 1990. As explained, since a country's two balances (current account and trade) can diverge and can be perceived separately, they may exert independent and/or interplay effects (e.g., interaction or confounding). Thus, I put both in the main model.³⁴ The two variables of interest are weighted average current account and trade balance (% of GDP) from 2010 to 2017, the most recent decade.³⁵ The DV is dichotomous – attendance. All models control for a list of covariates in the full model of Broz et al. Being on the BRI routes for favored investment opportunities and having free trade or investment agreements with China are controlled for the “pull factors” to attend the summit. Other covariates include Ideal Point distance from China, leader’s ideology, regime type (Polity V), and the CIRI human rights index for political factors that may influence attendance, and GDP (log), GDP per capita (log), and GDP growth rate for economic controls. A dummy variable of Africa is used to account for under-representation at the summit as in the original models. Since financial instability such as currency or balance of payment crises are closely related to persistent deficits (Obstfeld and Rogoff 2009), I retain the variable of interest of Broz et al. – financial crisis count. The data of all control variables comes from Broz et al. Moreover, I will conduct sensitivity tests to mitigate omitted variable issue.

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*).

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)),³⁶ which utilizes an instrument variable. A control function renders an endogenous variable exogenous and its common form is the

³⁴In the Appendix, current account and trade balances are also tested separately.

³⁵The 2010-17 range contains more countries (150+ vs. 120+ of the 2000-17 range), and the recent decade is more felt. Nonetheless, the 2000-17 range is also tested in the Appendix, showing consistent results with larger magnitudes.

³⁶2SLS (Two-Stage Least Squares) is for linear models.

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:³⁷ 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.³⁸ 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 effect is further away from zero).³⁹ 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.⁴⁰ 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.

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

³⁷Industry output corresponds to ISIC divisions 05-43, including mining, manufacturing and construction.

³⁸For example, China’s industrial intensity ... The average of autocracies... One typical reason for persistent imbalance is over-valued currency.

³⁹Empirically, 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.

⁴⁰I 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).

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

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

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

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

Model 8, employing the control function method, estimates a consistent effect of a similar magnitude that double confirms probit models.⁴¹ The F-statistic in stage one is over 12, suggesting

⁴¹The IV model is only run for current account due to no strong instrument simultaneously for both balances and

a strong instrument. The coefficient in stage two is slightly inflated compared to probit models. Overall, all results systematically and consistently support my hypotheses how external balances affect the propensity to support an alternative leadership. (add to table stage 1, stage 2)

Figure 9 plots the sensitivity curves which represent the estimates of global imbalance given the hypothetical partial R^2 of the omitted confounders with treatment ($R^2_{D \sim Z|X}$) and outcome ($R^2_{Y \sim Z|D,X}$). In a nutshell, any omitted confounder that nullifies the main estimates would need to be 15 times, 17 times, and 38 times as strong as bri_loc, ideal_point, and gdp_pc with both treatment and outcome.⁴² The result suggests less concerns for omitted variable bias.

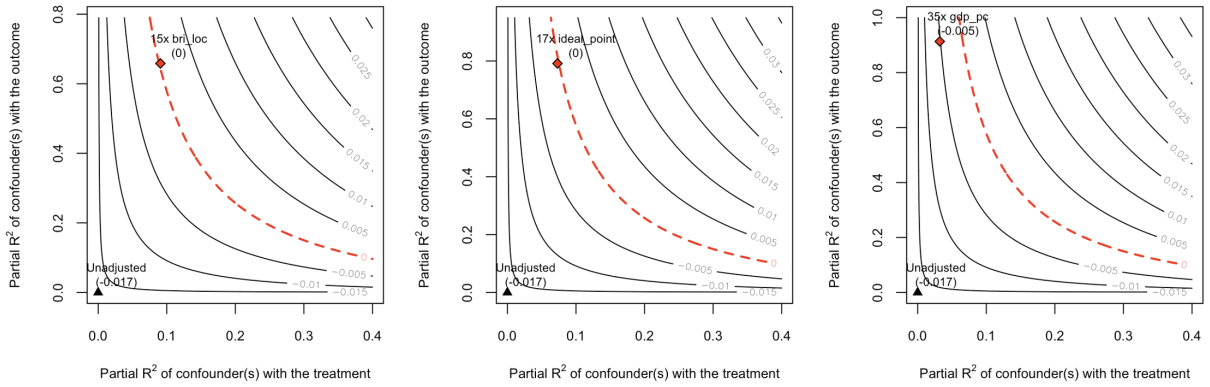


Figure 9. Sensitivity Contour Plots of the Omitted Variable Bias for BRI locations (15x), Ideal Point score (17x), and per capita GDP (35x+)

5.3 Testing “Helpless Issues”

Next, the hypothesis “only helpless issues lead to Chinese leadership support” will be tested. Eight more potential issues inside the LIO are included. For import competition, I use the change in import share in 2010-17, with the start-year 2010 so that the near aftermath of the 2008 Financial Crisis can be avoided.⁴³ For low FDI levels, the average FDI net inflow share (2010-17) is calculated, and for the same period, I measure poor economic performance using the average GDP growth rate. I use the income share of the top ten percent of the population to measure economic inequality. For deindustrialization, I use the change in manufacturing output share. The data for all preceding variables are retrieved from the WDI databases. Additionally, a country’s debt burden is measured using the central government debt rate in 2016, in which year the unemployment rate is used to

that trade balance’s coefficient is ambiguous. More tests are done in the Appendix.

⁴²As noted by Cinelli and Hazlett, these results are conservative for multiple (possibly non-linear) omitted confounders. See Appendix of the implementation details.

⁴³Also the past decade is mostly felt. A longer period of 2000-17 is tested in the Appendix.

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 dollar) as in Broz et al. All covariates in the previous full baseline model are controlled for.

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

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

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

Results are displayed in Table 3. Models 1-8 test the additional eight globalization issues respectively. None of the eight issues is statistically significant. Additionally, Model 9 puts all ten issues together (multicollinearity compliance is particularly ensured). Again, all variables remain insignificant, except for global imbalances and financial instability. That exactly these two expected variables are significant is unlikely coincidental. Combining all the models, the hypothesis that “only helpless issues are likely to push states to support Chinese leadership” seems valid, which suggests that the two significant issues should raise special attention from the LIO’s leaders. Importantly, Model 9 that includes all issues together also serves as the robust check to exclude confounders for global imbalances. The statistical power of all models are especially checked due to the relatively small sample size.⁴⁴ Figure 8 displays the scaled marginal effects, that is, what the effect is

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

given one standard deviation increase while keeping covariates at their mean values. As it shows, comparatively global imbalances bear the largest effect magnitude.

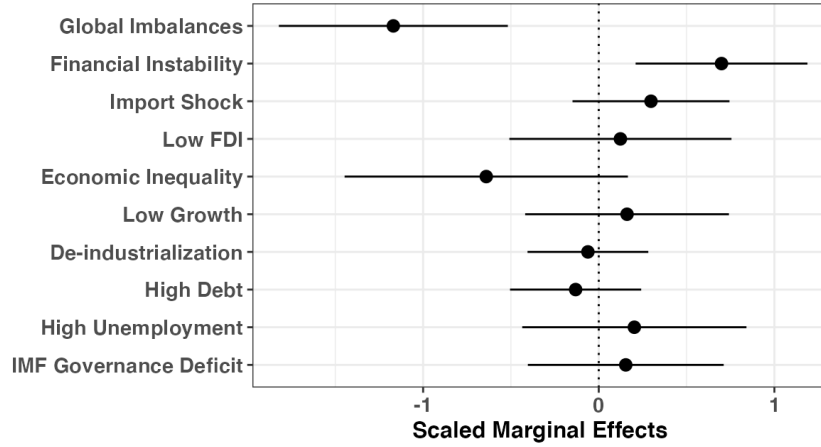


Figure 8. Scaled Marginal Effects of Multiple LIO Issues

LLM-based Media Analysis

I substantiate the above result by employing text analysis of media coverage. Although the ideal method – direct surveys on national leaders – is difficult, media coverage of specific issues, albeit its limitations, reflects and shapes the views of both elite and the public (Kim 2018; Mutz and Soss 1997; Wlezien and Soroka 2023). The goal is to show whether media perceptions of these issues are consistent with my coding and empirical results along “helplessness” dimensions.

I search the LexisNexis for the universe of news articles since 2000 containing keywords matching LIO’s issues above (e.g., “persistent current account deficit”, “persistent economic inequality”, “deindustrialization”, “persistent high unemployment”, “persistent low growth”).⁴⁵ Pre-processing of the corpus includes removing duplicated articles and keeping 100-word window before and after the keywords to examine the surrounding content regarding an issue. The final corpus contains 3,101 articles for all ten issues. Each issue in my corpus contains articles from 10-40 countries with no country exceeding 25% share. All operationalization details is found in Appendix.

As LLMs trained by super large corpora are used widely to understand human texts (Atreja et al. 2025; Egami et al. 2023), for each article, I prompt engineer and ask LLM (Chatgpt-4.1-mini) to rate at the scale 1-5 for each dimension d (stubbornness, severity, attributibility, and unaddressibility) with specifications (zero-shot/zero temperature/multiple models). For example,

⁴⁵LexisNexis arguably collects a universe of major national and local newspapers globally. I exclude the U.S., the UK (a financial center and close U.S. ally), and China.

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 an issue, I then calculate average scores $\bar{X}^{(d)}$ (formally expressed below) weighted by the inverse of country count c_i , and later their differences from “current account deficit” as the baseline.⁴⁶

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

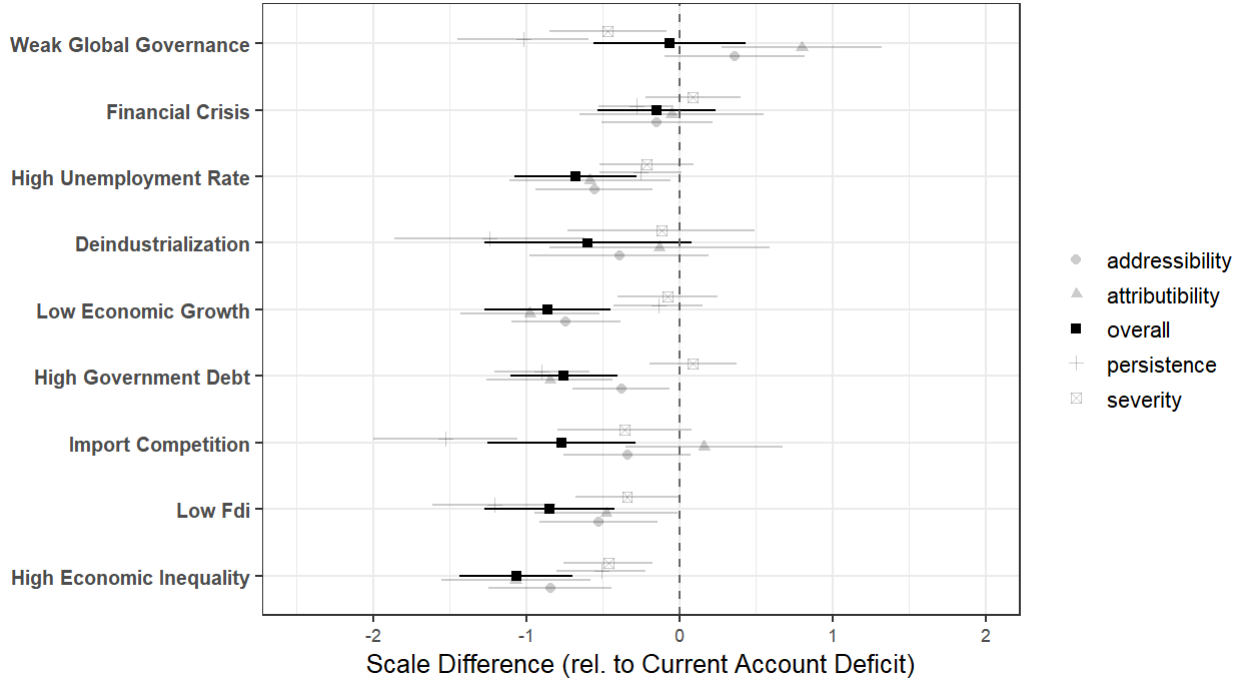


Figure 4: Scale Differences between Issues and Baseline. *Note:* Each error-bar plot the LLM-rated average difference of one issue on one dimension relative to the baseline “current account deficit” at 90% CI. Averaged by inverse country count.

In Figure 4, each error-bar represents the difference between one issue and “current account deficit” on one dimension. By face value, the values are consistent with expectations: I show the LLM-coded results of some randomly picked texts as consistent with human-coded ones (Appendix). Most issues except “financial crisis” receive significantly lower scores for one or more dimensions from

⁴⁶Calculating differences can mitigate the bias from same LLM models.

the baseline – “current account deficit” which score highest for almost all dimensions. The “overall” score representing how LLM rates “helplessness” shows that global imbalances and financial crisis remain at the top. It makes substantive sense: issues “weak global governance” and “import competition” score higher in attributability but lower in severity, while issues “high debt” and “low growth” are lower in attributability but higher in severity. In sum, media coverage, although imperfect, supports the statistical result.⁴⁷

5.4 Additional Robustness Tests

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

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

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

The joint communiqué of the BRI summit specifically addresses the risks of “financial crises and unsustainable development” (Broz et al. 2020), which are theoretically linked to persistent global imbalances as discussed. Italy was then crisis-replete: it would soon enter a recession the following year after years of debt crisis and stagnation, recorded onerous public debt, and suffered

⁴⁷The results of simple-mean, multiple runs of multiple models, and different word-window are consistent.

a long period of current account deficits not long ago (2000-12) – a combination of grievances.⁴⁸ Consequently, Italy elected a populist government which was “in the battle with the EU” – a key pillar of the current order.⁴⁹ Thus, Italy was sort of pushed to China by grievances within the LIO. Notably, although Italy may not attribute its position change solely to external deficit, it did relate to it. Luigi di Maio, former Economic Minister, who later signed to join the BRI, was indeed hoping for “a substantial increase of exports” to improve external imbalances, suggesting Italy’s worry about the state of external balances that may deteriorate again and its hope for the alternative. Particularly, compared to a few years later, Italy was driven more by financial grievances (e.g., debt, recession, and lack of investments) with relatively less concerns over Sino-Italy bilateral imbalance, so China as an outside option seemed viable.⁵⁰

However, Italy’s 2023 withdrawal from the BRI (the reversal of support), although amid domestic political shift, cites explicitly the unexpectedly worsening trade imbalance. In just four years from Italy’s accession, the Italy-China bilateral deficit more than doubled. In July 2023, during an interview with local newspaper *Corriere della Sera*, Defense Minister Guido Crosetto remarked, “... joining the Silk Road (BRI) was an improvised and wicked act... we exported a load of oranges to China, they tripled exports to Italy in three years...”⁵¹ This reflects Italy’s realization that a hope for the BRI to alleviate its imbalances and other financial issues was futile and bilateral trade was indeed a trouble source. In other words, the China alternative proved disappointing, precisely because of bilateral trade relations.

That the first Italian government joined the BRI due to a combination of financial grievances, and the second government quit it after realizing that bilateral trade busts hope, exactly agrees with my theories. 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. Consequently, countries with persistent external imbalances may embrace the BRI or similarly have ambivalent attitudes.

⁴⁸ “Italy joins China’s Belt and Road Initiative,” *Aljazeera*, 23-March-2019.

⁴⁹ *Ibid*

⁵⁰ *Ibid*

⁵¹ “Italy intends to leave China’s Belt and Road Initiative,” *Politico*, 30-July-2023.

5.6 Additional Evidence on Mechanism

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

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

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

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

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

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

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

5.7 Alternative Explanations

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

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

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

6 Conclusion and Discussion

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

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

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

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

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

On the geopolitical fronts moreover, global imbalances become all the more salient. Geopolitical competition today revolves around the competition of economics and governance rather than solely relative gains or military strength. My findings shed light on why China, despite economic prowess, struggles to gain widespread support apart from its regime type, which reveals a positive prospect for the LIO despite contention. Nonetheless, that surpluses are correlated with autocratic regimes (the last correlation in Figure 3) is altering balance of power; China, Russia, and Saudi Arabia, as the top three trade surplus countries in 2022, use their gains from globalization for domestic rule, military building, and geostrategic projects. By contrast, the U.S., with persistent external deficits and rising debt, faces challenges even in maintaining its aging infrastructure, weakening its domestic foundations for global ambitions. Meanwhile, many poor, deficit-ridden countries, mostly emerging democracies, grapple with stagnation and deconsolidation; migrants leaving poor hometowns of few opportunities lead to global migration crises.⁵² Thus, global imbalances speak to a normative contention of global justice and a judgement of globalization outcomes against its expectations. As such, as China agglomerates global production, the U.S. tariffs on Chinese goods that redirect demand to other countries might inadvertently strengthen other developing countries, increase U.S. influence, and create a more balanced globalization. The findings can inform future global trade reforms, when the WTO is less capable of handling issues like mercantilism (Wu 2016). All of this has important implications for U.S. economic and foreign policies and the sustainability of a rule-based international order.

One may argue, the attendance of the BRI isn’t an actual exit of the order and states’ support

⁵²For example, most Latin American countries run persistent external deficits.

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

References

- Abadie, Alberto (2003). “Semiparametric Instrumental Variable Estimation of Treatment Response Models”. In: *Journal of Econometrics* 113, pp. 231–63.
- Autor, David et al. (2020). “Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure”. In: *American Economic Review* 110.10, pp. 3139–83.
- Baccini, Leonardo (2019). “The Economics and Politics of Preferential Trade Agreements”. In: *Annual Review of Political Science* 22, pp. 75–92.
- Barattieri, Alessandro (2014). “Comparative advantage, service trade, and global imbalances.” In: *Journal of International Economics* 92.1, pp. 1–13.
- Bernanke, Ben (2011). “Global Imbalances: Links to Economic and Financial Stability.” In: *At the Banque de France Financial Stability Review Launch Event, Paris, France*.
- Bernard, Andrew B. et al. (2018). “Global Firms”. In: *Journal of Economic Literature* 56.2, pp. 565–619.
- Bhatia, Sudeep (2013). “Associations and the Accumulation of Preference”. In: *Psychological Review* 120.3, pp. 522–43.
- Blanchard, Olivier and Gian Maria Milesi-Ferretti (2009). “Global Imbalances: In Midstream?” In: *IMF Staff Position Note*.
- Broz, J. Lawrence, Maya J. Duru, and Jeffrey A. Frieden (2016). “Policy Responses to Balance-of-Payments Crises: The Role of Elections.” In: *Open Economies Review* 27.2, pp. 204–27.
- Broz, Lawrence J., Zhiwen Zhang, and Gaoyang Wang (2020). “Explaining foreign support for China’s global economic leadership”. In: *International Organization* 74.2, pp. 417–52.
- Buera, Francisco J. and Joseph P. Kaboski (2012). “Scale and the origins of structural change.” In: *Journal of Economic Theory* 147.2, pp. 684–712.
- Caballero, Ricardo J., Emmanuel Farhi, and Pierre-Olivier Gourinchas (2008). “An Equilibrium Model of ‘Global Imbalances’ and Low Interest Rates”. In: *American Economic Review*. 98, pp. 358–93.
- Cha, Victor (2023). “Collective Resilience: Deterring China’s Weaponization of Economic Interdependence”. In: *International Security* 48.1, pp. 91–124.
- Chilton, Adam, Helen Milner, and Dustin Tingley (2017). “Reciprocity and public opposition to foreign direct investment.” In: *British Journal of Political Science* 50.1, pp. 129–53.

- Chinn, Menzie D. and Hiro Ito (2022). “A Requiem for “Blame It on Beijing” interpreting rotating global current account surpluses.” In: *Journal of International Money and Finance* 121.
- Crowther, Geoffrey (1948). *An Outline of Money*. Second Edition. Thomas Nelson and Sons.
- Cuñat, Alejandro and Robert Zymek (2022). *Bilateral Trade Imbalances*. IMF Working Paper No. 22/90. Washington, D.C.: International Monetary Fund.
- Cutrone, Ellen and Benjamin Fordham (2010). “Commerce and Imagination: The Sources of Concern about International Human Rights in the U.S. Congress”. In: *International Studies Quarterly* 54, pp. 633–55.
- Dafoe, Allan, Jonathan Renshon, and Paul Huth (2014). “Reputation and Status as Motives for War”. In: *Annual Review of Political Science* 17, pp. 371–93.
- Davis, Christina L. (2023). *Discriminatory Clubs: The Geopolitics of International Organizations*. Princeton University Press.
- Delpeuch, Samuel, Etienne Fize, and Philippe Martin (2021). *Trade Imbalances and the Rise of Protectionism*. Discussion Paper DP15742. CEPR.
- Dooley, Michael, David Folkerts-Landau, and Peter Garber (2003). *An Essay on the Revived Bretton Woods System*. NBER Working Paper w9971. National Bureau of Economic Research.
- Doshi, Rush (2021). *The Long Game: China’s Grand Strategy to Displace American Order*. Oxford University Press.
- Ekiert, Grzegorz and Noah Dasanaike (2024). “The Return of Dictatorship”. In: *Journal of Democracy* 35.4, pp. 177–191.
- Epifani, Paolo and Gino Gancia (2017). “Global Imbalances Revisited: The Transfer Problem and Transport Costs in Monopolistic Competition”. In: *Journal of International Economics* 108.C, pp. 99–116.
- Feeney, William (1989). *Chinese Policy Towards Multilateral Economic Institutions*. in Samuel Kim “*China and The World*. Perseus, pp. 237–63.
- Flores-Macías, Gustavo. A. and Sarah Kreps (2013). “The Foreign Policy Consequences of Trade: China’s Commercial Relations with Africa and Latin America, 1992–2006.” In: *Journal of Politics* 75.2, pp. 357–71.
- Frieden, Jeffry and Stefanie Walter (2017). “Understanding the Political Economy of the Eurozone Crisis.” In: *Annual Review of Political Science* 20, pp. 371–90.

- Friedman, Milton and Rose Friedman (1980). *Free to Choose: A Personal Statement*. Harcourt Brace Jovanovich.
- Gartzke, Erik and Quan Li (2003). “Measure for Measure: Concept Operationalization and the Trade Interdependence: Conflict Debate”. In: *Journal of Peace Research* 40.5, pp. 553–71.
- Graham, John, Mark T. Leary, and Michael R. Roberts (2014). *How Does Government Borrowing Affect Corporate Financing and Investment?* NBER Working Paper 20581. National Bureau of Economic Research.
- Gray, Julia (2018). “Life, Death, or Zombie? The Vitality of International Organizations”. In: *International Studies Quarterly* 62.1, pp. 1–13.
- Greenstone, Michael, Richard Hornbeck, and Enrico Moretti. (2010). “Identifying Agglomeration Spillovers: Evidence from Winners and Losers of Large Plant Openings.” In: *Journal of Political Economy* 118.3, pp. 536–98.
- Hall, Peter and Rosemary Taylor (1996). “Political Science and the Three New Institutionalisms”. In: *Political Studies* 44, pp. 936–57.
- Hirschman, Albert (1970). *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*. Cambridge, Mass.: Harvard University Press.
- Hiscox, Michael (2001). “Class Versus Industry Cleavages: Inter-Industry Factor Mobility and the Politics of Trade.” In: *International Organization* 55.1, pp. 1–46.
- Ikenberry, G. John (2011). *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order*. Princeton University Press.
- Irwin, Douglas A. (1998). *Against the Tide: An Intellectual History of Free Trade*. Princeton, N.J.: Princeton University Press.
- Jeanne, Olivier (2021). *Currency Wars, Trade Wars, and Global Demand*. NBER Working Paper w29603. National Bureau of Economic Research.
- Johns, Leslie and Rachel L. Wellhausen (2016). “Under One Roof: Supply Chains and the Protection of Foreign Investment”. In: *American Political Science Review* 110.1, pp. 31–51.
- Johnston, A. Iain (2001). “Treating International Institutions as Social Environments”. In: *International Studies Quarterly* 45.4, pp. 487–515.
- Kahneman, Daniel (2013). *Thinking, Fast and Slow*. Farrar, Strauss, and Giroux.
- Kastner, Scott L. (2016). “Buying Influence? Assessing the Political Effects of China’s International Trade”. In: *Journal of Conflict Resolution* 60.6, pp. 980–1007.

- Kehoe, Timothy J., Kim J. Ruhl, and Joseph B. Steinberg (2018). “Global Imbalances and Structural Change in the United States”. In: *Journal of Political Economy* 126.2, pp. 761–796.
- Keohane, Robert O. (1984). *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton University Press.
- Kim, In Song (2017). “Political Cleavages within Industry: Firm-level Lobbying for Trade Liberalization”. In: *American Political Science Review* 111.2, pp. 1–20.
- Krasner, Stephen D. (1985). *Structural Conflict: The Third World Against Global Liberalism*. University of California Press.
- Krugman, Paul (2019). *Globalization: What Did We Miss? in Meeting Globalization’s Challenges*, *Luís Catao and Maurice Obstfeld, eds.* Princeton University Press, pp. 113–20.
- Lake, David A., Lisa L. Martin, and Thomas Risse (2021). “Challenges to the Liberal Order: Reflections on International Organization.” In: *International Organization* 75.Special Issue 2, pp. 225–57.
- Lipsky, Phillip Y. (2015). “Explaining Institutional Change: Policy Areas, Outside Options, and the Bretton Woods Institutions”. In: *American Journal of Political Science* 59.2, pp. 341–56.
- Liu, Zongyuan Zoe (2023). *SOVEREIGN FUNDS: How the Communist Party of China Finances Its Global Ambitions*. Cambridge, Massachusetts: Harvard University Press.
- Mansfield, Edward and Diana Mutz (2014). “Contested Multilateralism”. In: *The Review of International Organizations* 94.4, pp. 385–412.
- Marx, Karl (1867). *Capital: A Critique of Political Economy*. New York, NY: Cosimo.
- Mendoza, Enrique G., Vincenzo Quadrini, and Jose-Victor Rios-Rull (2009). “Financial Integration, Financial Deepness, and Global Imbalances.” In: *Journal of Political Economy* 117.3, pp. 371–416.
- Oatley, Thomas (2015). *A Political Economy of American Hegemony: Buildups, Booms, and Busts*. Cambridge University Press.
- Obstfeld, Maurice and Kenneth Rogoff (2009). “Global Imbalances and the Financial Crisis: Products of Common Causes. In “Asia and the Global Financial Crisis,” ed. Reuven Glick and Mark M. Spiegel.” In: *Asia Economic Policy Conference. San Francisco, CA: Federal Reserve Bank of San Francisco*.
- Ohlin, Bertil (1933). *Interregional and International Trade*. Harvard University Press.
- Organski, A.F.K. and Jacek Kugler (1980). *The War Ledger*. University of Chicago Press.

- Qian, Jing, James Raymond Vreeland, and Jianzhi Zhao (2023). “The Impact of China’s AIIB on the World Bank”. In: *International Organization* 77.1, pp. 217–37.
- Quinn, Dennis P. and A. Maria Toyoda (2007). “Ideology and Voter Preferences as Determinants of Financial Globalization”. In: *American Journal of Political Science* 51.2, pp. 344–63.
- Rawls, John (1971). *A Theory of Justice*. Cambridge, Massachusetts: The Belknap Press of Harvard University Press.
- Rodrik, Dani (2019). “Globalization’s Wrong Turn: And How It Hurt America”. In: *Foreign Affairs* 98.4, p. 26.
- Ruggie, John G. (1982). “International Regimes, Transactions and Change: Embedded Liberalism in the Postwar Economic Order”. In: *International Organization* 36.2, pp. 379–415.
- Simmons, Beth (2000). “International Law and State Behavior: Commitment and Compliance in International Monetary Affairs”. In: *American Political Science Review* 94, pp. 819–835.
- Spater, Jeremy (2024). “Deficit Aversion: Mercantilist Ideas and Individual Trade Preferences”. In: *Economics Politics.*, pp. 1–55.
- Stiglitz, Joseph E. (2004). “Capital-Market Liberalization, Globalization, and the IMF”. In: *Oxford Review of Economic Policy* 20.1, pp. 57–71.
- Terza, Joseph, Anirban Basu, and Paul Rathouz (2008). “Two-stage residual inclusion estimation: addressing endogeneity in health econometric modeling”. In: *Journal of Health Economics* 27.3, pp. 531–43.
- Walter, Stefanie (2021). “The Backlash Against Globalization.” In: *Annual Review of Political Science* 24, pp. 421–42.
- Wu, Mark (2016). “The “China, Inc.” Challenge to Global Trade Governance”. In: *Harvard International Law Journal* 57.1, pp. 1–68.
- Young, Patricia T. and Jack S. Levy (2011). “Domestic Politics and the Escalation of Commercial Rivalry: Explaining the War of Jenkins’ Ear, 1739–48”. In: *European Journal of International Relations* 17.2, pp. 209–232.
- Zweig, David (2002). *Internationalizing China: Domestic Interests and Global Linkages*. Cornell University Press.

Appendix

A Descriptive Data

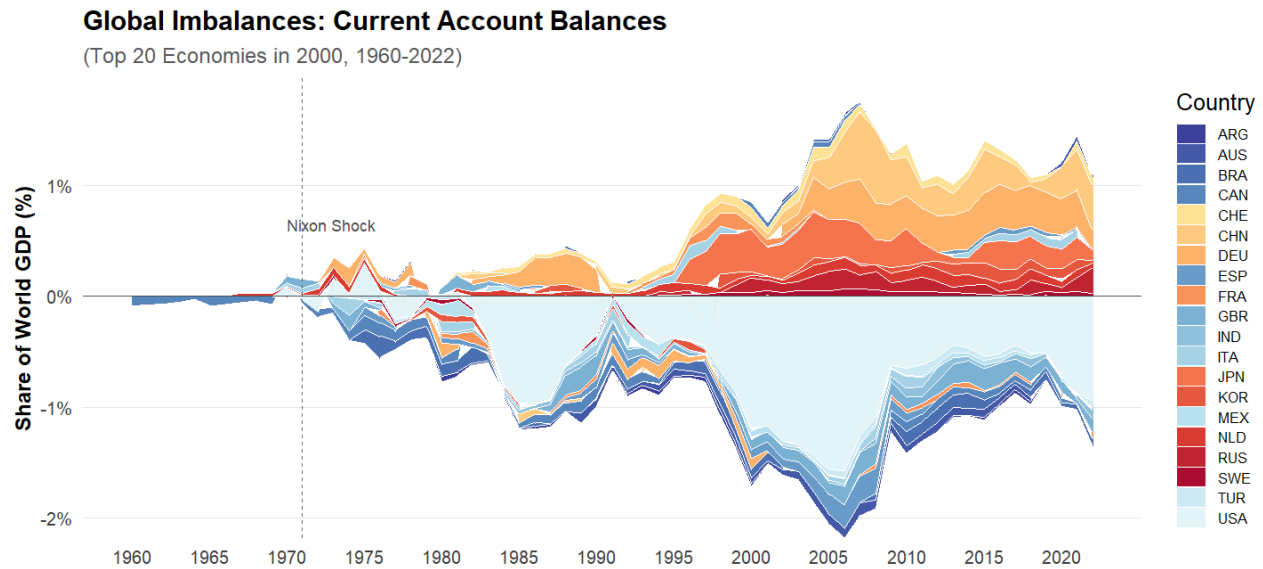


Figure A.1: Global Imbalances (Current Account Balance).

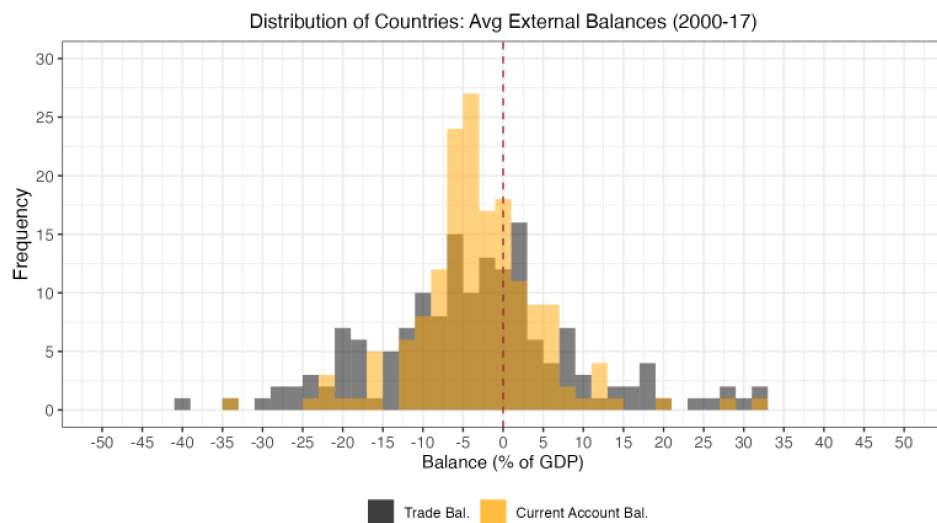


Figure A.2: Distribution of Mean Global Imbalances (2000-17, Data Source: the IMF). *Note:* the brown area is the overlap of both balances.

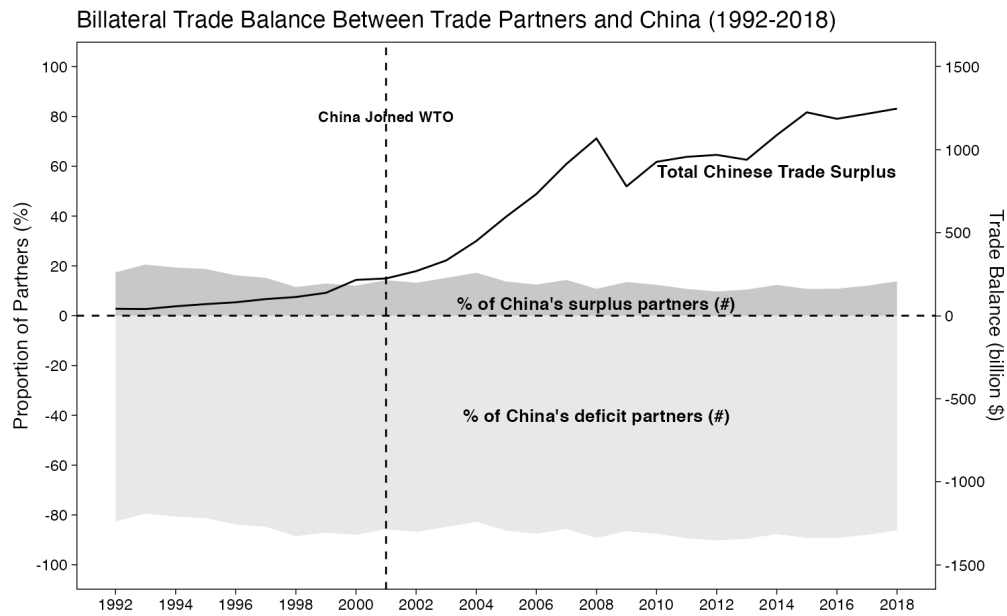
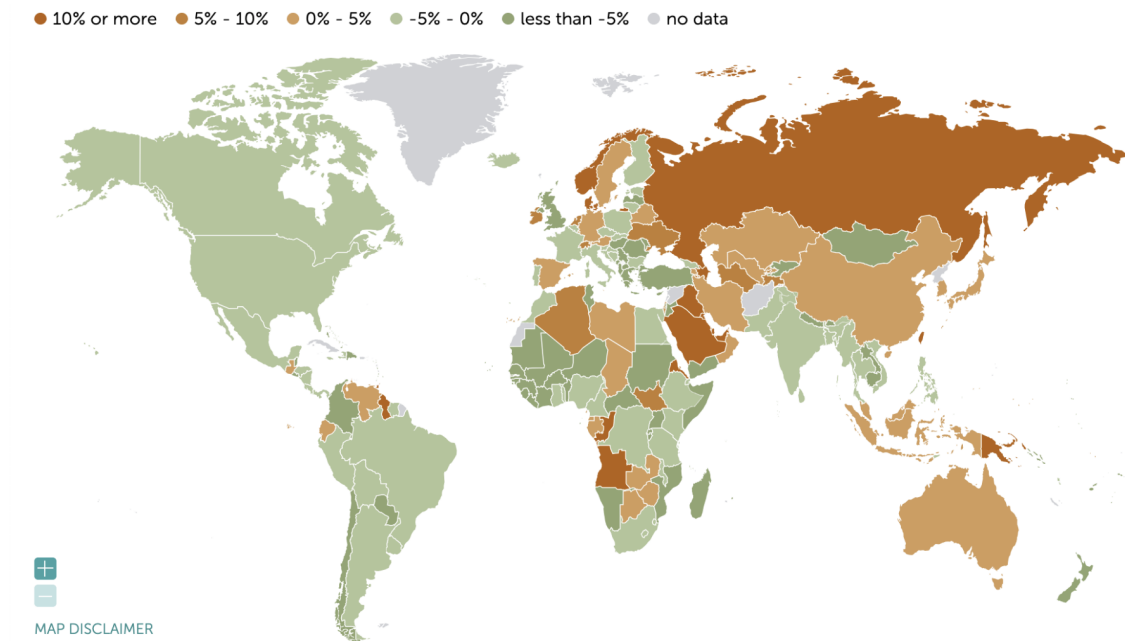


Figure A.3: Bilateral Trade Between Trading Partners and China (source: World Bank). Note: exports/imports data is reported by trading partners.



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

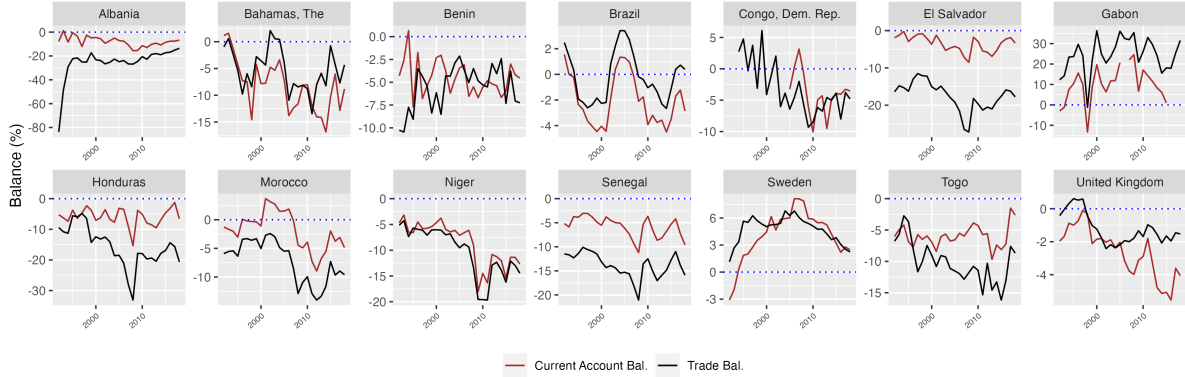


Figure A.1. *External Deficits of Countries* (Source: World Bank). As shown, two balances can diverge, and sometimes have opposite signs.

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:

$$\Delta U_i = \beta_i - (\sigma_i + \gamma_i), \quad (1)$$

where

- β_i : expected *benefit of deviation* (e.g., issue assistance, bargaining leverage, or alignment gains with a rising power);
- σ_i : *stay cost* incurred due to the disputed issue within the existing order;
- γ_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:

$$\text{Outside option is credible if } \Delta U_i > 0. \quad (2)$$

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:

$$P_i(\text{shift}) = f(\beta_i^0 - \sigma_i^0 - \gamma_i^0), \quad f' > 0. \quad (3)$$

Issue Aggravation or Relief

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

$$\sigma_i = \sigma_i^0 + \delta_i. \quad (4)$$

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

$$\Delta U_i = \beta_i - (\sigma_i^0 + \delta_i + \gamma_i). \quad (5)$$

Hence:

$$\frac{\partial \Delta U_i}{\partial \delta_i} = -1 < 0, \quad (6)$$

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

$$\frac{\partial P_i(\text{shift})}{\partial \delta_i} < 0. \quad (7)$$

Interpretation

In sum:

- The outside option's credibility is *endogenous to the issue* through its effect on δ_i ;
- When the issue cost rises under the outside option, the incentive to defect declines;
- Only when the expected benefits β_i outweigh both deviation costs γ_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 θ_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 κ_i indicating a more competitive or credible alternative order.

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

$$\Delta U_i = \beta_i(\kappa_i) - [\sigma_i(\theta_i) + \gamma_i(\kappa_i)]. \quad (8)$$

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:

$$\Delta U_i = \beta_i(\kappa_i) - [\sigma_i(\theta_i) + \gamma_i(\kappa_i)] > 0. \quad (9)$$

Otherwise, it remains in the existing order.

Comparative statics.

$$\frac{\partial \Delta U_i}{\partial \theta_i} = -\frac{\partial \sigma_i}{\partial \theta_i} < 0, \quad (\text{more salient issues increase stay cost, pushing toward defection}); \quad (10)$$

$$\frac{\partial \Delta U_i}{\partial \kappa_i} = \frac{\partial \beta_i}{\partial \kappa_i} - \frac{\partial \gamma_i}{\partial \kappa_i} > 0, \quad (\text{more competitive outside options raise net utility of deviation}). \quad (11)$$

Implications.

1. **Uncompetitive outside options** (κ_i low) increase deviation costs γ_i and reduce benefits β_i . Consequently, only highly dissatisfactory issues (θ_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** (κ_i high) reduce costs and raise benefits, such that even modest dissatisfaction (θ_i small) can trigger a shift in support. This corresponds to a *pull* mechanism, driven by the attractiveness of the alternative order.

Result.

$$\frac{\partial^2 P_i(\text{shift})}{\partial \theta_i \partial \kappa_i} < 0, \quad (12)$$

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:

$$Y_{t-1}(c + g + i + n) + rD_{t-1} = Y_{t-1} \quad (13)$$

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

$$Y_t(c + g + i + n) + rD_t \leq Y_t \quad (14)$$

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:

$$Y_{t-1}(1 + d)(c + g + i + n) + r(D_{t-1} + |n|Y_{t-1}) \leq Y_{t-1}(1 + d) \quad (15)$$

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

$$|n| \leq \frac{d}{r} \underbrace{(1 - (c + g + i + n))}_{\text{debt service share of GDP}} \quad (16)$$

(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 Main Results

E Additional Evidence

E.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.⁵³ 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,

⁵³Bilateral 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.

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

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

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).⁵⁴ *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

⁵⁴Chinese 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.

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 D.1: Statistical models

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 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.⁵⁵ 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

⁵⁵A Hausman test has been run to rule out random-effects models.

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.

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

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

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

Table 5 shows the results of the effects of trade imbalances with China on the UNGA human rights vote convergence. Model 1 conducts a simple bivariate correlation and the predictor imbalance is highly significant. Model 2 adds the main control variables and Model 3 also adds country and year fixed effects, with results remaining substantially unchanged. A higher bilateral trade deficit with China does seem to result in states voting differently from China on UNGA human rights resolutions. Model 4 and Model 5 add the interaction of bilateral trade imbalances and total balances (current account or trade). The effect of the main treatment, bilateral balance, is nullified when total balance is positive; in other words, if a state maintains an overall external balance, a bilateral imbalance is of less concern. Model 6 uses a different specification by employing a mixed

effect model that treats the intercepts of states as random and incorporates both within-country and cross-country variations of the treatment. The result remains highly similar. Models 7 and 8 are the 2SLS models that respectively use industrial intensity and natural resource intensity as instruments. The results of IV models are significant and consistent with main models, with larger magnitudes.⁵⁶ 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.

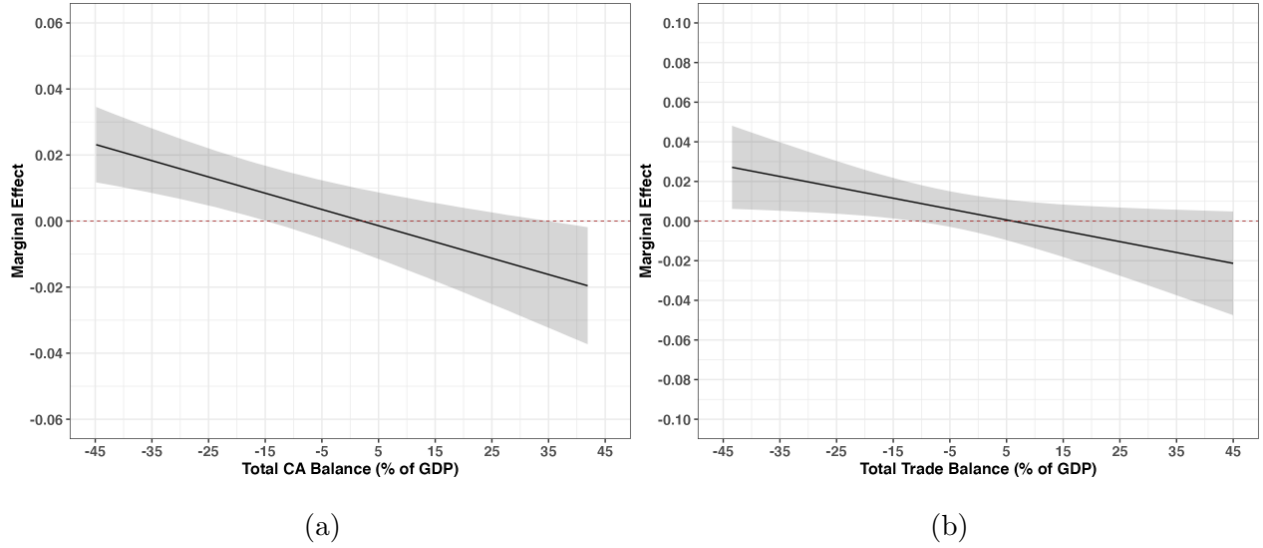


Figure E.4: Marginal Effects of Bilateral Trade Balance with China

F Robustness Tests

F.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

⁵⁶The 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).

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

Descriptive Information of the DV

F.2 Separate tests of current account and trade balances

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

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

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

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

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

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

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

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