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HANDBOOKS



Routledge Handbook of Asia in World Politics

Edited by Teh-Kuang Chang and Angelin Chang

ROUTLEDGE HANDBOOK OF ASIA IN WORLD POLITICS

Asia is a complex and diverse continent, which has seen the scope and pace of transformation increase rapidly over the past 30 years. In turn, the economic growth and social change seen in the region, combined with new global security profiles and environmental challenges, have contributed to placing Asia at the forefront of international affairs.

This Handbook brings together leading scholars of different disciplines, including Politics and International Relations, Security Studies and Law, to provide a comprehensive analysis of both the prospects and problems which have emerged from Asia's rise. Examining how developments across the continent have influenced global politics and how the region has responded to the international community in the modern era, the sections cover:

- Major actors in Asian politics, especially China, Japan and India
- International relations in Asia and intra-Asian tensions
- Special issues of world politics in Asia, including modern conflicts in and attitudes towards the Middle East

The *Routledge Handbook of Asia in World Politics* will be useful to students and scholars of Global Politics, International Relations and Asian Studies.

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CONTENTS

<i>List of illustrations</i>	<i>vii</i>
<i>List of contributors</i>	<i>viii</i>
Introduction	1
<i>Teh-Kuang Chang and Angelin Chang</i>	
PART I	
Major actors in Asian politics	3
1 China in the global political economy	5
<i>Thomas G. Moore</i>	
2 The evolution of China's political ideology from Mao Zedong to Xi Jinping	26
<i>Winberg Chai and May-lee Chai</i>	
3 Broken ties: Japan's semi-official diplomacy towards China under the DPJ government	32
<i>Karol Zakowski</i>	
4 Developmental states in Asia: Change and transformation	48
<i>Toby Carroll and Darryl S.L. Jarvis</i>	
5 Mongolian foreign relations under 25 years of democracy	61
<i>Alicia Campi</i>	
6 National development of Singapore	105
<i>Chua Beng Huat</i>	

7	Politics of regional integration in South Asia: India, China, and other actors <i>Arunoday Bajpai</i>	124
PART II		
International relations in Asia		141
8	ASEAN and the challenge of multilateralism in the Asia Pacific <i>Shaun Narine</i>	143
9	Dilemmas of Asian regionalism: Globalization, neoliberalism and the challenges of APEC <i>Steven Ratuva</i>	158
10	The United States and the Taiwan time bomb <i>Ted Galen Carpenter</i>	169
11	America's response to Xi Jinping's challenges in Asia <i>Robert Sutter</i>	178
PART III		
Special issues of world politics in Asia		193
12	The European Union and the People's Republic of China's attitudes towards the Middle East: Convergent and divergent political interests <i>Przemyslaw Osiewicz</i>	195
13	Gender and conflict in East Asia <i>Elin Bjarnegård and Erik Melander</i>	216
14	The sources of South Asian doctrine: Offensive biases in organizational culture <i>Brent T. Gerchicoff</i>	227
15	Sanctions and emerging powers: Examining the Indian and Chinese stance <i>Rishika Chauhan</i>	240
16	Globalization and government effectiveness in Asia <i>Haroon A. Khan</i>	250
17	Pyongyang–Tehran–Damascus: The unshaken alliance <i>Alon Levkowitz</i>	267
	<i>Index</i>	274

ILLUSTRATIONS

Figure

3.1	Number of Japanese delegations to China led by politicians of ruling parties (including cabinet members) and opposition parties who met with members of Standing Committee of the CCP Political Bureau	39
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Tables

3.1	Dimensions of Japan's diplomacy	33
7.1	Basic demographic and economic indicators of South Asian countries	125
13.1	Percentage who think of China more as an enemy	223
13.2	Percentage who have a very unfavorable view of at least one religious group	224
16.1	Government effectiveness, globalization and economic freedom in East and South East Asia	259
16.2	Government effectiveness, globalization and economic freedom in South Asia	260
16.3	Government effectiveness, globalization and economic freedom in Central Asia	262
16.4	Regression analysis of government effectiveness and globalization	262
16.5	Government effectiveness and economic freedom	263
16.6	Regression analysis on selected variables	263

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INTRODUCTION

Teh-Kuang Chang and Angelin Chang

Many keen observers of global politics have indicated that the 21st century will be the Century of Asia. While it is too early to know whether this definitely will be the case, there is no doubt that over the last thirty years Asia has rapidly emerged as the most dynamic zone of the global system. The scope and pace of transformation of Asia are nothing short of breathtaking. Economic growth, social transformation, new security profiles and environmental challenges that are unfolding in Asia are historically unprecedented. All this makes taking stock of Asia in world politics a timely, indeed urgent, project.

Asia is a complex and diverse region. The cradle of multiple storied civilizations, today Asia is a stage animated by a variety of political orders, social systems, economic models and cultural profiles. This warrants that any project to account for Asia in world politics brings together multiple voices and perspectives. This handbook moves this agenda by bringing together leading scholars of various aspects and parts of Asia to give the readers a comprehensive picture of prospects and challenges that issue from Asia's rise as the vital locus of contemporary world politics.

This handbook is organized into three parts: 1) Major actors in Asian politics; 2) International relations in Asia; and 3) Special issues of world politics in Asia. It is designed to assist specialists and the general public alike. Scholars, students, policy-makers and others interested in world politics in general and Asia in particular will find the information and insights provided by the authors invaluable.



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PART I

Major actors in Asian politics



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CHINA IN THE GLOBAL POLITICAL ECONOMY

Thomas G. Moore

Introduction

Few subjects have received as much scholarly and popular attention over the past decade as China's deepening participation in the world economy and its myriad implications for international politics. Prior to the era of "reform and opening" that began shortly after long-time leader Mao Zedong died in 1976, China was a marginal actor in international economic affairs. Today, however, its relationship with the world economy is one of substantial reciprocal impact. Not surprisingly, there is a vibrant literature documenting and analyzing China's emergence as a major force in the world economy. Distinct threads have examined subjects such as China's behavior in international economic organizations and the making of its foreign economic policy (Lardy 1999, 2002; Pearson 1999a, 1999b, 2001, 2006, 2014). One subject that has received less sustained attention is how the pattern of China's ties to the world economy has evolved over time, both in general and with respect to specific actors (individual countries, regions, groups). Accordingly, this chapter examines China's rapid ascent as an international trader and participant in foreign investment activities – the two most prominent aspects of China's involvement in the world economy – for insight into how the nature of China's economic ties has changed in the past and continues to develop.

In addition to complementing the existing literature, this chapter's focus on how the pattern of China's economic ties has changed addresses several issues of contemporary scholarly and policy-oriented interest. For more than a decade, observers have discussed the prospect that a China-centered economic order might emerge in East Asia, one in which the influence of the United States (US) would almost by definition be diminished, not only economically but also politically and militarily. While this possibility has sparked a huge, multi-layered research agenda at the nexus of economics and security affairs, one that exceeds the scope of this chapter, the question of whether China's regional economic ties are intensifying relative to its global economic ties is a fairly straightforward empirical matter.

Along the same lines, some analysts in East Asia (and beyond) openly wondered – both prior to, and in the wake of, the 2008–2009 Global Economic Crisis – whether the region was beginning to "decouple" (or should at least be trying to decouple) economically from North America and Western Europe, to whatever extent that was possible. On a related note,

beginning in 2009 it was reported that China was trying to orchestrate a “massive surge in trade among BRIC countries” as part of a decoupling strategy designed to reduce its vulnerability to the weaknesses in the US-led, G7-dominated international economic system that the Global Economic Crisis had exposed (Ng, 2009).¹ Around the same time, the eminent historian and public intellectual Niall Ferguson predicted that the symbiotic US-China economic relationship he had previously dubbed as “Chimerica” was headed for a divorce (Ferguson, 2009).

With these issues as context, this chapter examines the evolution of China’s trade and foreign direct investment (FDI) ties with a wide variety of actors in the world economy – not only individual countries but also groups such as the Association of Southeast Asian Nations (ASEAN), the BRICS (Brazil, Russia, India, China, and South Africa), the European Union (EU), and the North American Free Trade Agreement (NAFTA). The basic finding is that China’s trade and FDI ties have not been decoupling over time from partners outside East Asia; in fact, China’s economic ties have in some ways become more concentrated on countries in North America and Western Europe, while also diversifying in certain respects toward countries outside of North America, Western Europe, and East Asia. Even where China’s reliance on partners in East Asia has increased, as it has most significantly in the case of imports, this shift is consistent with the familiar narrative of an ever-deepening transnationalization of manufacturing in which so-called Factory China imports intermediate goods from its neighbors to produce finished goods for export to North America and Europe. In this sense, the main dynamic is globalization rather than regionalization, with the primary result being greater economic interconnectedness in almost every direction.

One final note before proceeding: any examination of China’s participation in the world economy must explicitly address the issue of what “China” is. For purposes of this chapter, China is Mainland China as identified by major international organisations such as the World Trade Organization (WTO), International Monetary Fund (IMF), World Bank (WB), United Nations Conference on Trade and Development (UNCTAD), and Organisation for Economic Co-operation and Development (OECD). These entities treat Mainland China, Hong Kong, Macao, and Taiwan as distinct customs territories in recording international trade and foreign investment. Although Hong Kong and Macao are Special Administrative Regions of the People’s Republic of China (PRC), they are generally treated as distinct economic actors. The individual sections below on China’s trade and foreign investment provide more detailed explanation of how transactions involving Hong Kong and Macao are handled in this chapter. With respect to China’s regional relations, however, it is worth noting that “East Asia” is composed solely of Japan, South Korea, Taiwan, and ASEAN.

International trade

China’s trade in international context

International trade is the exchange of goods and services across national or other internationally recognized territorial borders. China became the world’s leading trading country in 2013 when it surpassed the US with total trade (imports plus exports) of US\$4,159 billion. China’s top-ranked share of world trade in 2015 was 12%, which was especially striking given that it had accounted for only 2% of world trade in 1980 at the beginning of the post-Mao Zedong era of reform and opening. In addition to becoming the world’s largest trader, China has also become – much more controversially, in fact – the world’s largest trade surplus country. After being ranked 7th in both 1995 and 2000, China rose quickly to 4th in 2005 and 1st in 2010, when it amassed a trade surplus of US\$182 billion. After a brief dip in 2011, the upward trend continued

through 2015, when China's world-leading US\$593 billion trade surplus was larger than the combined surpluses of the countries ranked 2nd through 5th (Germany, Russia, South Korea, and the Netherlands.)

Due to Hong Kong's status as a vibrant entrepôt in the international economy, to say nothing of its distinctive commercial ties with the Chinese mainland more generally, the question of how to handle trade between China and Hong Kong raises especially nettlesome analytical issues given both the size of their trade relationship and the significant role that transshipment plays in it. The main problem concerns the treatment of finished (or essentially finished) goods produced in China that pass through Hong Kong (occasionally but not always for some final packaging or other perfunctory processing) before being re-exported to a third-party country (the true final destination). In reporting its trade flows, China has typically registered these transactions as exports to Hong Kong in order to minimize the magnitude of its larger export relationship with the third-party country, thereby making its trade balance with that country appear less favorable. Not surprisingly, these third-party countries often classify these products as Chinese rather than Hong Kong goods, recording their imports accordingly. Thus, significant discrepancies can exist between Chinese-reported trade data and partner-reported trade data.

Regardless of whose statistics are used, China's trade with Hong Kong has surely been inflated to some extent over the past several decades due to transshipment-related issues. Given that China and Hong Kong are also genuinely sizable final markets for each other, however, it would be also be distorting to ignore their trade in analyzing China's trade with the world. Accordingly, this chapter treats China's trade with Hong Kong in keeping with the latter's status as a separate customs territory in international trade. (The same approach is also taken with Macao.) In an effort to maximize the accuracy of its analysis, the chapter does, however, use partner-reported data (that is, import and export data reported individually by China's trade partners) rather than Chinese-reported data. Although partner-reported data on China's trade is not vastly different in the aggregate from Chinese-reported data, and therefore still likely overstates Hong Kong's importance to China as a trade partner, the use of partner-reported data should at least reduce any distortion.

China's total trade with the world²

As mentioned earlier, China first eclipsed the US in becoming the world's leading trader in 2013; it retained the top spot in 2014 and 2015 as well, with the US trailing narrowly in 2nd place all three years. Although trends in China's total trade certainly merit examination, this chapter emphasizes separate analyses of China's exports and imports (International Monetary Fund, 2016), as these two domains of trade are characterized by different dynamics in China's global, regional, and bilateral relations.

Before engaging in more detailed analysis of China's imports and exports, let's briefly examine the changing importance over time of China's key partners in total trade (imports plus exports). In order to highlight recent trends, China's total trade is reviewed only from 1995 to 2015.

Although the US's share of China's total trade fell slightly from 15.93% in 1995 to 15.55% in 2015, it moved from 2nd to 1st place as a precipitous decline in Hong Kong's share (from 33.72% to 13.16%) dropped the latter into 2nd place. Japan retained 3rd place despite the fact that its share declined by more than half, from 15.29% to 7.01%. South Korea's share grew from 4.37% to 5.91%, enough to switch spots with Germany as the latter fell from 4th to 5th place as its share of China's total trade declined from 4.91% to 4.06%. Taiwan (3.00%), Australia (2.90%), Vietnam (2.46%), Singapore (2.35%), and the UK (2.30%) rounded out China's top ten total trade partners in 2015.

Looking beyond individual countries, the EU's share of China's total trade increased from 14.04% in 1995 to 15.02% in 2015, while NAFTA saw a similar increase, from 17.68% to 19.55%. The share of East Asia (comprising Japan, South Korea, Taiwan, and ASEAN) inched upward (25.85% to 26.20%), as the strongly rising shares of ASEAN and Taiwan (5.27% to 10.28% and 0.92% to 3.00%, respectively) and South Korea's modestly rising share (4.37% to 5.91%) combined to offset Japan's declining share (15.29% to 7.01%). The BRICS's share of China's exports almost tripled from 2.03% in 1995 to 6.04% in 2015, but it is notable that no individual member of the BRICS ranked among China's top ten total trade partners in 2015.

Given that East Asia's share of China's total trade crept up from 25.85% in 1995 to 26.20% in 2015, the extra-regional share of China's total trade thus by definition declined slightly (from 74.15% to 73.80%). By the same token, it is striking that East Asia's share of China's total trade was essentially flat over the two decades in which China truly became an economic force in its home region. Given that the combined share of the EU and NAFTA increased by 2.85%, in addition to East Asia's increase of 0.35%, the share of China's total trade with the rest of the world (that is, countries outside the EU, NAFTA, and East Asia) decreased by 3.20%. That the BRICS's share grew from 2.03% in 1995 to 6.04% in 2015 means that the non-BRICS portion of the rest of the world actually saw their combined share of China's exports drop significantly (by 7.21%). These countries' total trade with China grew impressively in absolute terms, but their relative position among China's trade partners weakened.

Exports

China's exports to the world³

According to the WTO's *Statistics Database* (World Trade Organization, 2016), China's US\$18.1 billion of exports represented only 0.9% of the world's total in 1980, ranking 27th. By 2015, China ranked 1st with US\$2,275.0 billion of exports, accounting for 13.8% of the world's total. In 2015, therefore, the value of China's exports in current US dollars was more than 125 times greater than it had been in 1980. In order to put this astonishing increase into greater perspective, we should compare China's export growth in current US dollars to its growth in constant US dollars. 1985 and 2013 have to be used for this comparison, as they are the earliest and latest years, respectively, for which export data in constant dollars is available from the WB's *World Development Indicators* at the time of this writing (World Bank, 2016).

In current US dollars, China's exports grew from US\$27.4 billion in 1985 to US\$2,209.0 billion in 2013, or by a factor of slightly more than 80. By contrast, world exports as a whole grew by a factor of slightly more than 10 between 1985 and 2013 in current US dollars, from US\$1,953.0 billion to US\$19,082.1 billion. According to constant 2005 US dollars, China's exports grew from US\$53.6 billion in 1985 to US\$2,033.4 billion in 2013, or by a factor of almost 38. By contrast, world exports as a whole grew by a factor of almost 5 between 1985 and 2013 in constant 2005 US dollars, from US\$3,845.4 billion to US\$18,373.3 billion. In other words, Chinese exports – whether measured in current US dollars or constant US dollars – grew approximately eight times faster than world exports between 1985 and 2013.⁴

As this comparison indicates, the growth in China's exports has been striking in constant 2005 US dollars as well as in current US dollars. Both methods, of course, focus on the growth of China's exports in absolute terms, which is undeniably an important feature of China's rapidly deepening participation in the world economy. An equally if not more important aspect of China's rising profile, however, is its growing share of world exports. The latter perspective, which focuses on changes in China's position as an exporter relative to other countries,

effectively controls for the absolute growth of world exports. For example, China's share of world exports more than tripled in just the period between 2001 (the year China joined the WTO) and 2015, rising from 4.3% to 13.8%. China's 13.8% share of world exports in 2015 was higher than the share any country had achieved in nearly 50 years. (The last country with a higher share of world exports was the US in 1968, when its share was 14.7%.) In 2015, China's share was more than half again as large as the US's share and larger than the combined share of the world's 3rd- and 4th-ranked exporters, Germany and Japan.

It's useful, therefore, to review the ascent of China among the world's exporters. From 1980 to 1990, China leapt halfway up the rankings from 27th to 13th, doubling its share of world exports from 0.9% to 1.8%. Between 1990 and 2000, China's share again doubled, from 1.8% to 3.9% as its rank correspondingly rose from 13th to 7th. (As context, the world leader – usually the US but occasionally Germany – typically held a share of world exports in the 11–12% range from 1980 to 2000.)

By 2001, the year China joined the WTO, its 4.3% of world exports ranked 6th behind the US (11.9%), Germany (9.3%), Japan (6.6%), France (5.2%), and the United Kingdom (UK) (4.4%). In quick succession, China surpassed the UK in 2002, France in 2003, and Japan in 2004. By 2005 China ranked 3rd with 7.3% of world exports, narrowly behind Germany (9.3%) and the US (8.7%). It eclipsed the US in 2007, and then surpassed Germany in 2009 as the world's leading exporter, a spot it retained each year through 2015.

By 2010 China accounted for 10.4% of world exports, more than double Japan's 5.1% share and increasingly distancing itself from the US and Germany, which had shares of 8.4% and 8.3% in 2nd and 3rd place, respectively. The same trend continued to 2015, by which time China's share had further increased to 13.8%, albeit not directly at the expense of the US (9.1%) and Germany (8.1%).

China's exports to specific actors: The changing importance over time of different destinations in China's export profile⁵

As important as China's exports are in aggregate terms, it is also critical to examine how they are distributed among actors (individual countries and groupings) across the world. In order to highlight recent trends, especially as regards China's bilateral and regional relationships, this section analyzes China's exports from 1995 to 2015, with a particular emphasis on tracking changes in the shares of China's exports that various actors have absorbed (International Monetary Fund, 2016).

Although the US's share of China's exports declined from 20.87% in 1995 to 19.97% in 2015, this slightly lower share was still nearly twice the size of 2nd place Hong Kong's share (10.62%) and almost exactly triple Japan's 3rd place share (6.66%). Hong Kong's share plummeted from 30.00% in 1995 to 10.62% in 2015, allowing the US to move into the top spot. Indeed, the US's share (19.97%) in 2015 was almost as large as the collective share of the countries ranked 4th through 10th (which totaled 21.23%): South Korea (3.74%), Mexico (3.19%), Germany (3.18%), the Netherlands (3.05%), Vietnam (3.03%), India (2.59%), and the UK (2.54%). If Hong Kong and Japan are considered too, the collective share of the countries ranked 2nd through 10th (38.6%) was less than double the size of the US's share alone (19.97%).

Looking beyond individual countries, the EU's share of China's exports increased from 14.41% in 1995 to 16.12% in 2015, while NAFTA's share increased similarly, from 22.72% to 25.50%. By contrast, East Asia saw its share decrease from 24.77% in 1995 to 22.51%, as the doubling of ASEAN's share (from 4.81% to 10.28%) could not offset the sharp decline in Japan's share (from 15.45% to 6.66%) and only modest increases in the shares of South Korea and Taiwan (from 3.18% to 3.74% and from 1.33% to 1.83%, respectively). The BRICS's share

of China's exports grew robustly from 1.21% in 1995 to 6.16% in 2015, but it remained below Japan's 3rd-place share as a single country (6.66%).

Due to East Asia's declining share between 1995 and 2015 (from 24.77% to 22.51%), the extra-regional share of China's exports therefore increased by definition (from 75.23% to 77.49%). Given that the combined share of the EU and NAFTA increased from 1995 to 2015 by more than East Asia's share decreased (4.49% increase vs. 2.26% decrease), the share of China's exports to the rest of the world (that is, countries outside the EU, NAFTA, and East Asia) decreased as well (by 2.23%). The fact that the BRICS's share grew from 1.21% in 1995 to 6.16% in 2015 means that the non-BRICS portion of the rest of the world saw their share of China's exports drop significantly (by 7.18%). Although China's exports to these countries grew impressively in absolute terms, the relative position of these countries among China's export destinations weakened.

*China's exports to specific actors: The changing importance over time of
China as a supplier of other countries' imports⁶*

While it is critical to examine the changing importance of various actors as destinations for China's exports, it is also critical to examine China's changing importance over time as a supplier of various actors' imports. For illustrative purposes, this section reviews China's importance as a source of imports for the US, EU, Japan, and South Korea (International Monetary Fund, 2016; European Union, 2016).

China's share of US imports rose sharply from 0.45% in 1980 to 3.15% in 1990, before then more than doubling to 8.58% between 1990 and 2000. China's share more than doubled again, from 9.27% to 21.50%, between 2001 (the year China joined the WTO) and 2015. Overall, the US's dependence on China as a source of its imports grew by almost a factor of six in the 25 years from 1990 to 2015. Whereas China had ranked 3rd behind Canada and Mexico prior to its accession to the WTO, in 2015 it occupied 1st place with a substantially higher share than 2nd place Canada (21.50% vs. 13.05%).

China's importance as a supplier of imports for Japan grew solidly from 3.08% in 1980 to 5.12% in 1990, before nearly tripling to 14.53% between 1990 and 2000. China's share continued to grow from 16.55% in 2001, the year China joined the WTO, to 24.78% in 2015. Overall, Japan's dependence on China as a source of imports grew by almost a factor of five in the 25 years from 1990 to 2015. Whereas China's share of Japan's imports was only slightly larger than the US's share of Japan's imports when China entered the WTO, its top-ranked share in 2015 was approximately 2.5 times the size of the US's share. Indeed, China's share was larger than the combined share of the US and the next three leading suppliers of Japanese imports.

China already supplied 7.52% of the EU's (extra-EU) imports by 2000; its share more than doubled from 8.37% in 2001 (the year China joined the WTO) to 18.00% in 2014.⁷ Whereas China ranked 2nd in 2001 with a share (8.37%) less than half the size of the top-ranked US's share (20.76%), its 1st place share in 2015 (20.30%) was almost half again as large as the US's 2nd place share (14.40%).

In 1991, the year China and South Korea began recording official trade data after establishing diplomatic relations, China provided 4.20% of South Korean imports. Between 1991 and 2000, China's share nearly doubled to 7.98%. It then more than doubled from 9.43% in 2001, the year China joined the WTO, to 20.68% in 2015. Overall, South Korea's dependence on China as a source of imports grew by a factor of nearly 5 in the 24 years from 1991 to 2015. With a share of 20.68%, China was the top-ranked supplier of South Korean imports in 2015, whereas it had ranked 3rd behind Japan and US at the time of its entry into the WTO.

Imports

*China's imports from the world*⁸

According to the WTO's *Statistics Database* (World Trade Organization, 2016), China's US\$19.9 billion in imports represented 1.0% of the world's total in 1980, ranking 21st. By 2015, China ranked 2nd with US\$1,682.0 billion in imports, accounting for 10.1% of the world's total. In 2015, therefore, the absolute value of China's imports in current US dollars was more than 84 times greater than it had been in 1980. In order to put this astounding increase into greater perspective, we should compare China's import growth in current US dollars to its growth in constant US dollars. 1985 and 2014 have to be used for this comparison, as they are the earliest and latest years for which import data in constant dollars is available from the WB's *World Development Indicators* (World Bank, 2016) at the time of this writing.

In current US dollars, China's imports grew from US\$42.3 billion in 1985 to US\$1,959.0 billion in 2014, or by a factor of more than 46. By contrast, world imports as a whole grew by a factor of slightly less than 10 between 1985 and 2014 in current US dollars, from US\$1,960.0 billion to US\$19,078.3 billion. According to constant 2005 US dollars, China's imports grew from US\$76.1 billion in 1985 to US\$1,765.0 billion in 2014, or by a factor of more than 23. By contrast, world imports as a whole grew by a factor of slightly less than 5 between 1985 and 2014 in constant 2005 US dollars, from US\$3,724.2 billion to US\$18,177.5 billion. In other words, Chinese imports – whether measured in current US dollars or constant US dollars – grew more than 4 times faster than world imports between 1985 and 2014.⁹

As this comparison indicates, the growth in China's imports has been striking in constant 2005 US dollars as well as in current US dollars. Both methods, of course, focus on the growth of China's imports in absolute terms, which is undeniably an important feature of China's deepening participation in the world economy. An equally if not more important aspect of China's rising profile, however, is its growing share of world imports. The latter perspective, which focuses on changes in China's position as an importer relative to other countries, effectively controls for the absolute growth of world imports. For example, China's share of world imports came fairly close to tripling in just the period between 2001 (the year China joined the WTO) and 2015, rising from 3.8% to 10.1%. While 2nd-ranked China's 2015 share was more than a quarter smaller than the top-ranked US's 2015 share, its share was almost exactly the combined share of Germany and Japan, which ranked 3rd and 4th, respectively.

It's useful, therefore, to review the ascent of China among the world's importers. From 1980 to 1990, China nudged its way up the rankings from 21st to 16th, increasing its share of world imports from 1.0% to 1.5%. Between 1990 and 2000, China leapt halfway up the rankings from 16th to 8th (trailing only the Group of Seven countries), more than doubling its share from 1.5% to 3.4%. (The share of the US, the world's leading importer from 1980 to 2000, ranged from 12% to 19% during this period.)

By 2001, the year China joined the WTO, its 3.8% of world imports ranked 6th behind the US (18.3%), Germany (7.7%), Japan (5.4%), the UK (5.2%), and France (5.1%). In 2003 China had moved from 6th to 3rd place, its share of world imports (5.3%) trailing only the US (16.8%) and Germany (7.7%). By 2005 China – still ranked 3rd – accounted for 6.1% of world imports, having almost doubled its share in five years. In 2009 China (7.9%) surpassed Germany (7.4%) into 2nd place, a spot it retained each year through 2015. By 2010 China absorbed a robust 9.1% of world imports. In 2015, China's share (10.1%) almost matched the combined share of Germany and Japan (10.2%), which ranked 3rd and 4th, respectively. It did, however, still lag significantly behind the US (13.8%) for 1st place.

*China's imports from specific actors: The changing importance over time of different suppliers in China's import profile*¹⁰

As important as China's imports are in aggregate terms, it is also critical to examine how they are distributed among different suppliers (individual countries and groupings) across the world. In order to highlight recent trends, especially as regards China's bilateral and regional relationships, this section analyzes China's imports from 1995 to 2015, with a particular emphasis on tracking changes in the shares of China's imports that various actors have supplied (International Monetary Fund, 2016).

Although the share of China's imports received from top-ranked Hong Kong plummeted by more than half from 39.64% in 1995 to 17.42% in 2015, Hong Kong's share in 2015 was still nearly twice the size of 2nd ranked South Korea's share, which increased from 6.26% in 1995 to 9.56% in 2015. As Japan dropped from 2nd to 4th place, switching places with South Korea, its share fell by nearly half from 15.03% in 1995 to 7.61% in 2015. Japan's lost share was absorbed not only by South Korea but also by Taiwan, which saw its share rise rapidly from 0.26% in 1995 to 4.96% in 2015 as it assumed 6th place. For its part, the US ranked 3rd in both 1995 and 2015, as its share of China's imports remained remarkably steady, inching up from 8.05% to 8.10%. Similarly, Germany held 5th place in both 1995 and 2015 with shares of 5.11% and 5.55%, respectively. Australia (4.24%), Singapore (3.36%), Oman (2.67%), and Brazil (2.48%) rounded out the top ten suppliers of China's imports in 2015.

Looking beyond individual countries, NAFTA's share grew modestly from 9.64% in 1995 to 10.26% in 2015, more than offsetting the slight decline in the EU's share from 13.45% to 13.16%. East Asia's share of China's imports increased strongly from 27.55% in 1995 to 33.38% in 2015, as robust growth in the shares of South Korea, Taiwan, and ASEAN (the latter's share nearly doubled from 6.00% in 1995 to 11.25% in 2015) overcame the large decline in Japan's share. The BRICS's share more than doubled from 3.33% to 6.98%, although its 2015 share was still lower than Japan's 4th-place share as a single country. It's also notable that 10th ranked Brazil was the only BRICS member among the top ten suppliers of China's imports.

Owing to the fact that East Asia's share rose from 27.55% in 1995 to 33.38% in 2015, the share of China's imports from extra-regional sources therefore decreased by definition (from 72.45% to 66.62%). Given that the combined share of the EU and NAFTA grew slightly from 1995 to 2015 (by 0.33%), in addition to the significant growth in East Asia's share that occurred during this period (a 5.83% increase), the share of China's imports from the rest of the world (that is, from countries outside the EU, NAFTA, and East Asia) decreased by 6.16%. The fact that the BRICS's share more than doubled from 3.33% in 1995 to 6.98% in 2015 means that the non-BRICS portion of the rest of the world saw their combined share of China's imports drop significantly over this period (by 9.81%). Although China's imports from these countries grew impressively in absolute terms, the relative position of these countries among China's import suppliers weakened.

*China's imports from specific actors: The changing importance over time of China as a destination for other countries' exports*¹¹

While it is critical to examine the changing importance of various actors as suppliers of China's imports, it is also critical to examine China's changing importance over time as a destination for various actors' exports. For illustrative purposes, this section reviews China's importance as a destination for exports from the US, EU, Japan, and South Korea (International Monetary Fund, 2016; European Union, 2016).

China's share of US exports actually declined from 1.70% in 1980 to 1.22% in 1990 before recovering to 2.07% in 2000. In short, China's importance to the US as an export destination

barely changed from 1980 to 2000. China's share did, however, nearly triple in just the period between 2001 (the year China joined the WTO) and 2015, rising from 2.63% to 7.72%. Overall, US dependence on China as a destination for its exports grew by a factor of more than six in the 25 years from 1990 to 2015. From a rank of 7th in 2002, when it trailed Canada, Mexico, Japan, the UK, Germany, and South Korea, China moved up to 3rd place in 2015, albeit with a share that was still less than half the size of either Canada's or Mexico's.

China's share of Japan's exports declined from 3.91% in 1980 to 2.13% in 1990, before rising substantially to 6.34% in 2000. China's share then more than doubled from 7.67% in 2001, the year China joined the WTO, to 17.48% in 2015. Overall, Japan's dependence on China as a destination for its exports grew by more than a factor of seven in the 25 years from 1990 to 2015. In 2015 China was Japan's leading destination for exports, with a share larger than the combined share of the US and South Korea, Japan's 2nd- and 3rd-ranked destinations, respectively. By contrast, in 2002 China's 2nd-place share had been only slightly larger than half the size of the US's 1st-place share (13.49% to 23.71%).

China already absorbed 3.04% of the EU's (extra-EU) exports in 2000; its share more than doubled from 3.41% in 2001, the year China joined the WTO, to 9.67% in 2014.¹² Whereas China was ranked 4th in 2002, with a share one-seventh the size of the top-ranked US's share (3.94% to 27.80%), by 2015 it ranked 2nd with a share essentially half the size of the US's share (9.50% to 20.80%).

In 1991, the year China and South Korea began recording official trade data after establishing diplomatic relations, China absorbed 1.38% of South Korea's exports. Between 1991 and 2000, China's share grew by a factor of more than seven from 1.38% in 1991 to 10.69% in 2000. It then more than doubled from 12.04% in 2001, the year China joined the WTO, to 26.03% in 2015. Overall, South Korea's dependence on China as a destination for its exports grew by a factor of more than 19 in the 24 years from 1991 to 2015. Whereas China had ranked 2nd after the US in 2002, in 2015 it was ranked 1st with a share of South Korea's exports double the size of the US's share.

Foreign direct investment

Unlike international trade, which is a relatively straightforward activity involving imports and exports, foreign investment is a more complicated endeavor that can take multiple forms. For purposes of this chapter, the key distinction is between foreign direct investment (FDI) and foreign portfolio investment. Whereas foreign portfolio investment involves the movement of funds across a border to invest in relatively liquid financial assets, such as stocks and bonds, typically without any accompanying rights to exercise managerial control over a firm, FDI occurs when an investor from one country acquires ownership representing at least 10 percent of the voting power in a firm in another country (Organisation for Economic Co-operation and Development, 2016).¹³

This chapter will focus on FDI rather than foreign portfolio investment for two main reasons. First, and most importantly, China's participation in the world economy has been shaped more profoundly by FDI than foreign portfolio investment. Second, FDI arguably represents a deeper form of international economic connectedness: "FDI is a key element in international economic integration because it creates stable and long-lasting links between economies. FDI is an important channel for the transfer of technology between countries, promotes international trade through access to foreign markets, and can be an important vehicle for economic development" (Organisation for Economic Co-operation and Development, 2016).

FDI position measures the totality of direct investment that investors from one country hold in another country at a particular point in time, typically at year's end. Inward FDI position is often popularly called inward FDI stock (that is, the "stock" of a country's inward FDI) because it captures the total value of all investment positions in a given country (the reporting country) that are held by foreigners.¹⁴ Thus, the concept of inward FDI stock is designed to reflect the cumulative flows of investment made by foreigners over time (e.g., through equity invested in, and loans made to, firms in the country) plus changes in the value of those investments through appreciation, depreciation, reinvested profits, repatriated profits, and so forth. In mirror fashion, outward FDI stock is the total value of investment positions that investors from a given country (the reporting country) hold in firms in another country.

FDI inflows record the value of financial transactions conducted in a given country (the reporting country) by foreign investors over a particular period of time, typically annually. These financial flows consist of new equity transactions, the reinvestment or withdrawal of earnings, and intercompany debt transactions. FDI outflows record the value of financial transactions conducted by investors from a given country (the reporting country) in another country over a particular period of time, typically annually.

Although inward and outward FDI flows provide insight into investment trends within a given year, they are less useful in understanding the nature of long-term commercial ties or the degree of economic interdependence between two countries. To examine the latter two issues, data on the stock of inward and outward FDI is more germane. Trade (imports and exports) and the stock of FDI (inward and outward) both typically move incrementally from year to year, unlike FDI flows (inward and outward), which often lurch about from one year to the next depending on the presence or absence of a few big investment deals. Indeed, another complication in using data on FDI flows is that flows in a given year can be not only relatively large or small but also positive or negative.

Negative FDI inflows for a country in a given year mean that foreign investors, in the aggregate, took more funds out of the country than they put in (for example, through intra-company loans or by taking reinvested profits out of the country). On the flip side, negative FDI outflows for a country means that, in the aggregate, its investors brought more funds back home than they sent out (for example, through intra-company loans or by bringing reinvested profits back in). In the words of an UNCTAD report, "FDI flows with a negative sign ... indicate that at least one of the three components of FDI (equity capital, reinvested earnings or intra-company loans) is negative and is not offset by positive amounts of the other components. These are instances of reverse investment or disinvestment" (United Nations Conference on Trade and Development, 2012, p. 4).

The frequent volatility of year-to-year FDI flows between two countries, including the possibility of negative flows, means that national leaders are typically guided by trends in FDI stocks rather than (potentially epiphenomenal) FDI flows. A year or two of unusually large or small, positive or negative FDI flows is unlikely to drastically or permanently alter the stock of FDI between two countries. For this reason, analysts interested in examining a country's FDI relations with other countries are well advised to focus on FDI stocks rather than FDI flows. Accordingly, this chapter provides more detailed analysis of FDI stock, especially as regards the role of specific partners in China's FDI activities.

FDI data are reported in US dollars at current prices and current exchange rates, so the absolute US dollar values provided for a particular category (e.g., inflows) across many different years do not reflect certain changes (e.g., inflation).¹⁵ While this represents a limitation of the data, in China's case the magnitude of growth in FDI flows over time far exceeds what could possibly be attributed to inflation and exchange rate changes. At the same time, the fact that

FDI is reported in US dollars at current prices and current exchange rates does underscore the importance of presenting not only absolute data but also relative data, such as China's shares of world totals in various FDI categories.

China's inward FDI

*China's FDI inflows in international context*¹⁶

According to UNCTAD (United Nations Conference on Trade and Development, 2016), China ranked 57th in FDI inflows in 1980, accounting for a measly 0.1% of the world total. By 1985, it had leapt up 50 places to 7th with 3.5% of the world total. By 1990, however, China had slipped to 12th place with only 2.8% of the world total despite the fact that its inflows had grown 78% in absolute US dollar terms between 1985 and 1990. (At a time of strong FDI growth globally, the relative decline in China's share of world inflows over this period likely owed in part to the aftermath of the Tiananmen Square crackdown.) By 1992 China's popularity as a destination for FDI had fully recovered, as it reached 5th place with 6.8% of the world total, both all-time highs for China at that point. This upward trend continued, as the US dollar value of China's FDI inflows quadrupled from 1992 to 1998. By 1993 China had reached 2nd place behind the United States, a spot it held every year through 1998. Even as China became ensconced in 2nd place in the mid-1990s, however, the US's share of world FDI inflows was, on average, double China's share.

After a brief downturn in China's FDI inflows in the aftermath of the Asian Financial Crisis, its popularity as an FDI destination continued to grow in the wake of its WTO accession in 2001. In 2003, China actually eclipsed the United States – albeit for only one year – as the world's leading recipient of FDI inflows, accounting for 9.7% of the world total. (Between 1985 and 2015, the United States ranked 1st in all but three years: 2003, 2005, and 2014.)

Between 2001 and 2015, China placed 1st, 2nd, or 3rd among FDI recipients every year except for 2007, when it placed 6th with 4.4% of the world total. (Over this period, China ranked 1st two times, 2nd five times, and 3rd seven times.) Moreover, China's inflows were robust in absolute as well as relative terms, growing by a factor of more than 2.5 between 2002 and 2015. In fact, 2009 and 2012 were the only 2 years of this 14-year period for which the year-on-year US dollar value of China's FDI inflows did not increase.

Although China ranked only 3rd in 2015 with 7.7% of the world total, its inflows did reach a new record high of US\$135.6 billion. As context, however, it should be noted that the US's inflows in 2015 were US\$379.9 billion, nearly triple China's inflows. On the other hand, China's inflows exceeded ASEAN's inflows (US\$125.7 billion) by US\$10 billion and were nearly identical to the combined inflows (US\$135.9 billion) of the BRICS plus Indonesia (sometimes dubbed the BRIICS). Similarly, China's inflows almost matched the combined inflows of Brazil, India, and Mexico (US\$139.1 billion), the only other three developing countries that were ranked in the world's top 15 for 2015.

*China's inward FDI stock in international context*¹⁷

According to UNCTAD (United Nations Conference on Trade and Development, 2016), by 1990 China's inward FDI stock already ranked 17th internationally at US\$20.7 billion. Although China accounted for only 0.9% of the world's total inward FDI stock, among developing countries it trailed only Brazil (in 13th place at 1.7%) and Mexico (in 16th place at 1.0%). China's stock of inward FDI nearly tripled from US\$101.1 in 1995 to US\$ 272.1 billion in 2005, but its share of the world's total stock actually decreased from 2.8% to 2.4%. Moreover,

China's rank fell from 11th to 10th as inward FDI stock in other countries grew faster during this period. By contrast, between 2005 and 2015 China's rank rose from 10th to 4th as its inward FDI stock more than quadrupled from US\$272.1 billion to US\$1,220.9 billion. As a result, China's share of the world's stock of inward FDI doubled from 2.4% to 4.8%. Except for the United States, which accounted for 22.4% of the world's total inward FDI stock in 2015, no other country's share exceeded 6.3%. (No country has come close to supplanting the United States in the top spot in recent decades, although its share has shrunk gradually over time.)

*The changing importance over time of specific actors in China's inward FDI stock*¹⁸

China Commerce Yearbook (Editorial Board of China Commerce Yearbook, 2004–2016) provides a continuous series of data on China's stock of inward FDI starting with 2003. This series provides bilateral data for 31 partners, including leading North American and European countries as well as a number of Asian economies and five major conduits for global investment funds labeled as "free ports" (the British Virgin Islands, Cayman Islands, Mauritius, Barbados, and Samoa). This bilateral data, used in conjunction with data on China's total inward FDI stock, enables analysis regarding changes over time in the importance of individual countries and regions as China's FDI partners.¹⁹

As sources of China's inward FDI stock, Hong Kong and the British Virgin Islands were ranked 1st and 2nd, respectively, in 2015, after having been ranked 1st and 5th, respectively, in 2003. Alas, there is a strong rationale to remove not only Hong Kong but also the British Virgin Islands and the other four "free ports" from our analysis despite (or perhaps because of) their high profile as important sources of China's inward FDI stock. Hong Kong has been an enormously popular location from which actors inside China pursue the "round-tripping" of investment funds. Round-tripping occurs when investors inside a country route domestic funds abroad expressly for the purpose of bringing those funds back home in the form of inward FDI, typically in order to benefit from preferential treatment for foreign investors.

By all accounts, the round-tripping of funds from China significantly overstates the amount of authentic "Hong Kong" investment that has entered China. To a certain extent, round-tripping may also explain the high levels of FDI entering China from "free ports" such as the British Virgin Islands. In addition to providing opportunities for round-tripping, the "free ports" serve as conduits for investment from actors in other countries who seek tax advantages and/or strive for anonymity. The fact that Hong Kong and the British Virgin Islands collectively accounted for 50.40% of China's inward FDI stock in 2003 and 56.44% in 2015 indicates how much their inclusion would distort any assessment of China's FDI relationships with other actors. Thus, this section of the chapter excludes Hong Kong and the "free ports" from its analysis. To be sure, this approach results in an assessment of China's inward FDI stock based on only a portion of what has been reported as China's inward investment, but there is ample reason to believe that the remaining portion should provide more accurate insights. Once China's FDI data is adjusted accordingly, the following analysis emerges.

From 2003 to 2015, the US saw its share of China's inward FDI stock decline substantially from 18.31% to 11.31%. As a result, it fell from 1st to 3rd place. Even as Japan assumed the top spot, rising from 2nd place, its share declined from 17.19% in 2003 to 14.86% in 2015. Taiwan, which had ranked 3rd in 2003, dropped to 5th as its share declined from 15.16% to 9.15%. Singapore moved from 4th to 2nd place as its share rose from 9.77% to 11.56%. Similarly, South Korea moved from 5th to 4th place as its share rose from 8.18% to 9.33%. The UK and Germany switched 6th and 7th places, while France and the Netherlands did likewise with 8th and 9th place. Canada was ranked 10th in both 2003 and 2015.²⁰

As this discussion indicates, China's top ten partners in terms of its inward stock were the same in 2003 and 2015, albeit with some minor repositioning in their ranking. While China's top ten partners remained unchanged, their collective share of China's inward FDI stock fell from 83.85% in 2003 to 68.67% in 2015. This shift reflects a modest diversification in the concentration of China's FDI relations.

Raw data provided in *China Commerce Yearbook* can be used to create several regional groupings. "North America and Europe 6" (*NA & Europe 6*) comprises the US, Canada, and China's four largest investment partners among EU members.²¹ (China reports country-specific data on inward FDI stock for only half the EU's membership.) *ASEAN-5* is a widely recognized term used internationally as shorthand for the five largest economies in ASEAN: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. (China does not report country-specific data on its inward FDI stock from Brunei, Cambodia, Laos, Myanmar, and Vietnam, but any investment from these countries would be negligible.) "Northeast Asia 3" (*NE Asia 3*) comprises Japan, South Korea, and Taiwan. "East Asia 8" (*EA 8*) is simply a joint category for *ASEAN-5* and *NE Asia 3*. (The point here is to combine Southeast Asia and Northeast Asia into a larger East Asian grouping.) Finally, *Other* is a category used for investment from all countries not included in one of the categories identified above.

In terms of regional groupings, the share of China's inward FDI stock that was accounted for by *NE Asia 3* fell from 40.53% in 2003 to 33.34% in 2015. *NA & Europe 6*'s share similarly declined from 33.02% to 23.77%, while *ASEAN-5*'s share rose modestly from 13.32% to 14.04%. Although the two regional groupings with the largest shares saw their shares fall from 2003 to 2015, the relative size of each group's share within the trio remained unchanged with *NE Asia 3* 1st, *NA & Europe 6* 2nd, and *ASEAN-5* 3rd.

Even the super grouping *EA 8* saw its share fall from 53.85% to 47.38% between 2003 and 2015. Given that *EA 8* reflects inward FDI stock from intra-regional sources – China's home region is defined as East Asia – this means by definition that the share of China's inward FDI stock from extra-regional sources increased from 46.15% in 2003 to 52.62% in 2015. As regards the issue of whether China is actively developing a Sino-centric East Asian economy (or at least the extent to which a Sino-centric East Asian economy is forming more organically), the trend in the data on China's inward FDI stock does not reveal an increasing reliance – measured in relative terms – on intra-regional sources. Indeed, it shows the opposite.

At the same time, the data also shows a decreasing reliance on inward FDI stock from *NA & Europe 6*. What did increase from 2003 to 2015 was the share of China's inward FDI stock from extra-regional sources beyond *NA & Europe 6*. Specifically, the share from *Other* rose from 13.13% in 2003 to 28.85% in 2015. In this sense, China's inward FDI stock has become more diversified at the expense of both *EA 8* and *NA & Europe 6*. (The combined share of these two groupings declined from 86.87% in 2003 to 71.15% in 2015.) While this is certainly a noteworthy trend, it should be emphasized that the foregoing analysis reflects a relative assessment of how changes in China's inward FDI stock have been distributed among its partners. In absolute terms, China's inward FDI stock increased substantially from all the aforementioned groupings between 2003 and 2015, far more than could conceivably be accounted for by the effects of inflation and additional annual inflows consistent with past inflows.

China's outward FDI

China's FDI outflows in international context²²

The first year for which there is meaningful data on China's FDI outflows is 1985, when it ranked 14th, highest among developing countries, with 1.0% of the world total (United Nations Conference on Trade and Development, 2016). By 1990 China's rank had fallen to 22nd, with a share of world outflows (0.34%) that was barely higher than Brazil and trailed, among others, Taiwan and South Korea. China's share had risen modestly to 0.56% by 1995, but its rank actually declined to 23rd behind countries such as Malaysia, Taiwan, and South Korea. China's profile shrank further by 2000, when it accounted for a paltry 0.08% of world outflows and ranked 33rd behind, among others, Taiwan, South Korea, Chile, Russia, Brazil, Malaysia, and Saudi Arabia.

China's relevance as a source of outward FDI grew markedly in the early and mid-2000s, as its share of world outflows grew from 1.18% in 2001 to 3.3% in 2008. Its ranking in the mid-2000s was steadily around 20th before leaping to 11th in 2008. As the Global Economic Crisis, which had begun in 2008, continued to unfold in 2009, China's share of world outflows jumped further to 5.1% and its rank leapt to 6th. Even as the crisis stabilized, China's profile of outward FDI continued to accelerate remarkably. By 2012 it ranked 4th with 6.7% of world outflows. Each year from 2013 through 2015 China ranked 3rd with shares of world outward FDI flows that ranged between 8.2% and 9.3%. During this three-year period, China's role as a source of global outward FDI was essentially equal to Japan's and more robust than Germany's. The only country with a consistently stronger profile has been the US, whose outflows between 1990 and 2015 ranked 1st for all but two years (1990 and 2000).

While the gap between the US and China has certainly narrowed over the past decade, the US retains a significant lead. In 2015, for example, outward flows from the US and China were US\$300.0 billion and US\$127.6 billion, respectively. (Japan narrowly exceeded China's outflows at US\$128.7 billion.) Indeed, the US's share of world outflows remained about 2.5 times larger than China's share even during the period from 2013 to 2015 when China became ensconced in 3rd place internationally.

Between 2002 and 2015, China's outward FDI flows increased each year in absolute terms, an unusual feat given the vagaries of the foreign investment environment from one year to the next.²³ Overall, China's outflows grew by a factor of more than 51 from US\$2.5 billion in 2002 to US\$127.6 billion in 2015. Although global FDI grew substantially over this 14-year period, the growth in China's outflows was so pronounced that its share of world outflows increased from 0.5% in 2002 to 8.7% in 2015.

China's outward FDI stock in international context²⁴

Although China's outward FDI stock grew robustly from US\$17.8 billion in 1995 to US\$57.2 billion in 2005, its share of the world's outward FDI stock barely budged over the same period, increasing only from 0.42% to 0.48% (United Nations Conference on Trade and Development, 2016). Moreover, China's rank decreased from 21st to 26th as other countries' outward FDI stock grew faster. By contrast, China's rank increased from 26th to 10th from 2005 to 2015 as its outward FDI stock grew by nearly a factor of 17 from US\$57.2 billion to US\$1,010.2 billion. As a result, China's share of the world's outward FDI stock rose from 0.48% to 4.03%. Indeed, in 2015 10th ranked China's share had grown to more than half the size of 2nd ranked Germany's share (4.03% to 7.24%). Only the US, with a share of 23.88%, dwarfed China's outward FDI stock. (No country has ever come close to supplanting the US in the top spot, although its share has shrunk gradually over recent decades.)

*The changing importance over time of specific actors in China's outward FDI stock*²⁵

China Commerce Yearbook (Editorial Board of China Commerce Yearbook, 2004–2016) provides a continuous series of partner-specific data on China's outward FDI stock starting with 2003. This series provides bilateral data for 184 actors. This bilateral data, used in conjunction with data on China's total stock of outward FDI, enables analysis regarding changes over time in the importance of individual countries and regions as China's FDI partners.

In terms of individual actors, Hong Kong, the Cayman Islands, and the British Virgin Islands were ranked 1st, 2nd, and 3rd, respectively, in 2003, representing 86.85% of China's outward FDI stock. The trio was also ranked 1st, 3rd, and 2nd, respectively, in 2015, accounting for 70.22% of China's outward FDI stock. As argued earlier, however, the factors underlying these huge shares provide a strong rationale for removing these actors from this part of our examination. (For convenience of calculation, China's outward FDI stock in the free ports of Mauritius, Barbados, and Samoa has been retained in the analysis given the small amounts of FDI involved in these three cases.) To be sure, this approach results in an assessment of China's outward FDI stock based on only a portion of what has been reported as China's outward investment, but there is ample reason to believe that the remaining portion should provide more accurate insights. Once China's data is adjusted accordingly, the following analysis emerges.

The US was ranked 1st in both 2003 and 2015, with its share of China's outward FDI stock growing from 11.50% to 12.48%. Other than the US, however, the only top ten partners from 2003 that remained in 2015 were Australia and Singapore. Singapore's rank increased from 5th to 2nd as its share grew from 3.77% in 2003 to 9.78% in 2015. Australia, which had been 3rd in 2003, retained that spot in 2015 even though its share of China's outward FDI stock declined from 9.54% to 8.68%. Iraq and South Korea, which had occupied 2nd and 4th place, respectively, in 2003, did not appear in the top ten for 2015. The bottom half of the top ten in 2003 – Thailand, Zambia, Peru, Spain, and Malaysia – likewise dropped out. Conversely, seven countries made the top ten in 2015 that had not done so in 2003 (ranked as follows from 4th to 10th): Netherlands, UK, Canada, Indonesia, Luxembourg, Germany, and France. Despite the large turnover, the collective share of the top ten was largely unchanged from 2003 (54.48%) to 2015 (53.18%).

Raw data provided in *China Commerce Yearbook* can be used to create regional groupings similar to the ones used in the section on China's inward FDI stock. The only difference in *NA & Europe 6* is that China's four largest investment partners from the EU were different for outward FDI stock compared to inward FDI stock.²⁶ The change from *ASEAN-5* to *ASEAN-10* signifies that China's data on outward FDI stock as reported in *China Commerce Yearbook* includes the entire membership of ASEAN rather than just *ASEAN-5*, as had been the case for inward FDI stock. *NE Asia 3* is again comprised of Japan, South Korea, and Taiwan. *EA 13* is simply a joint category for *ASEAN-10* and *NE Asia 3* to replace the smaller *EA 8* used in analyzing inward FDI stock. (In both cases, the point is to combine Southeast Asia and Northeast Asia into a larger East Asian grouping). Finally, *Other* is again a category used for investment in all countries not included in one of the categories identified above.

In terms of regional groupings, the share of China's outward FDI stock represented by *NA & Europe 6* rose substantially from 20.22% in 2003 to 30.48% in 2015. The share of *ASEAN-10* similarly rose over this period from 13.43% to 19.18%. By contrast, *NE Asia 3*'s share fell precipitously from 7.44% in 2003 to 2.36% in 2015. In sum, two groupings saw their shares rise from 2003 to 2015, while the third grouping saw its share fall, and the relative standing of each grouping's share within the trio remained unchanged with *NA & Europe 6* 1st, *ASEAN-10* 2nd, and *NE Asia 3* 3rd.