China Papers

No. 13 | 2009

China: The Next Monetary Hegemonic Power?:

Determinism vs free will in the international monetary system

Nathan Attrill

TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI
VICTORIA UNIVERSITY OF WELLINGTON
NEW ZEALAND CONTEMPORARY CHINA RESEARCH CENTRE

ABSTRACT

The purpose of this essay is to explore the question of whether, in light of the current conditions of the international monetary system, contemporary China have the capability or the policies to become the hegmeonic power in the in the international monetary system currently dominated by the United States of America?

This essay uses two methodologies to analysis China in regards to the aforementioned question. The first is looking at how other nations came to that same position of leadership through historic factors and circumstances (determinism) and the other is to look at current national monetary policies, economic strategy and statecraft (free will).

The conclusion reached is that in after using both methodologies, China is unable to achieve hegemony of the international monetary system in the near future even with the systems legitimacy waning. China has yet to reach the necessary stage in history to be given become the hegemony by historic factos and circumstances and its monetary policies and economic development strategies actually enshrine the status quo system.

ABOUT THE AUTHOR

Nathan Attrill is a postgraduate researcher at Victoria University of Wellington.

Nations can be considered great economic powers but be impotent when it comes to international relations. Other than the United States of America, the most dynamic, export driven, and powerful economies in the modern world are Japan and Germany. Yet neither of these two can be considered challengers to the international order dominated by the United States. There is a clearly a difference between economic power and international power. The People's Republic of China is often spoken of as a rising superpower mostly due to its' rising economic prowess. But without a certain type of economic power, China will find that its' rise will be similar to that of Germany and Japan: dissatisfying.

In September of 2008, a cornerstone of the American financial system, Lehmen Brothers bank went bankrupt. This event became the symbol of the beginning of the end of the American driven bull market of the early twenty-first century. Unemployment in the United States began to rise; the Dow Jones Industrial Average began to fall. The so called 'engine of the world economy' pulled other nations down with it. The word 'depression' began to reappear in the media for the first time since the 1930s. The twenty largest economies held a summit in London to discuss a united response to the financial crisis. But not all of these economics were attending in a weakened position. One in particular was attending as a potential saviour of the American dominated monetary system: The People's Republic of China. China was now seen as a powerful force in terms of the prosperity of the global economy. China, since its' economic liberalisation post-1978 had been rising economically; now it was the indispensible nation. However, what power China may possess with high GDP growth rates and competitive exports is nothing in comparison to the potential power it could have with money. International monetary power is the link that brings an economic superpower the prize of geopolitical superpower in the modern world.

This research essay will:

define international monetary power and explain its' important to international relations

discuss how previous international monetary hegemonic powers achieved their position in the system by examining the historical factors and circumstances that put them their. This approach will be called **determinism**.

apply these same determinist factors and circumstances to contemporary China

discuss how contemporary China hopes to attain the status of international monetary hegemonic power through statecraft, ignoring the casual ways previous powers achieved their position. This approach will be called **free will**.

examine the current monetary policies and economic strategies of the Government of China in relating to achievement of international monetary hegemony

conclude on the prospect of China increasing its' international monetary power whether by destiny or willpower, and becoming the next international monetary hegemonic power 365 days after the beginning of the Global Financial Crisis.

International monetary power: What is it? Why is it important?

To be the hegemonic power in the international monetary system means enjoying the benefits that monetary power possess. Money has a value beyond its post-barter function in the real economy. A national currency plus a national economy engaged in trade with other nations is what equals international monetary power. Nations hold currencies of others nations whose trade with them is considered important, if not essential. Those nations have an economic self-interest in the prosperity of the nations whose currencies they hold. Nations with popular currencies can emerge as significant and powerful players in the international community because others will defer to them for their own economic self-interest. Those with power get to make decisions and these decisions have a greater chance of being implemented. Therefore, international monetary power can shape foreign policy. Money is a source of power not just for individuals but also for nations.

International monetary power is the ability of one nation to change the behaviour of another nation and hopefully to act in the interests of the monetarily more powerful nation. Four specific powers are at the disposal of the international monetary hegemonic power within the international monetary system: the power to deflect transitional costs of adjustment, the power to delay payment of debt, the power to re-articulate another nation's economic interests, and the power to reconstruct another nation's social identity (Andrews, 2006). International monetary hegemonic powers therefore have the powers of mercy, benevolence, coercion and manipulation at their disposal in international relations.

The benefits of international monetary power were easily identifiable during the age of European imperialism in the eighteenth and nineteenth centuries. As with the social, legal educational, cultural and religious systems, currencies in colonies were direct transplants from the great imperial powers that control them. Money was no exception and so for example Britain controlled the currency of the pound sterling bloc colonies and France the currency of the franc zone colonies. This allowed the imperial power an enormous amount of influence in the economic affairs of their colonies (Bowles, 2008). Like the imperial monetary systems of the nineteenth century, monetary systems of an international nature today give the nation which put itself at the centre, a relationship with others that is similar to imperial rule. It is in effect imperialism but without colonialism (Magdoff, 2003). The argument is, international monetary arrangements are in fact a type of imperialist structure and this is the situation in which the United States of America currently finds itself in and where China aspires to be.

Other reasons why nations accept one nation as the hegemonic power of the international monetary system is not always by the threat of coercive action. There are both material incentives to following the international monetary hegemonic power in the form of common methods of doing business and socialisation incentives. Both Britain and the United States offered others relatively conservative behaviour in their macroeconomic policies, so they were seen as stable, predictable and offered other nations the environment they desired for their own economic growth (Walter, 2006).

Within the last 150 years alone there have only been two nations who have emerged as leaders of a truly international monetary system and been able to dominant international relations as a result of that position. These two nations were Great Britain under the Gold Standard system and the United States of America under the Bretton Woods system and continuing even after its eventual collapse in 1971 until the present day. The United States became fully aware of their new found ability to influence others through the international monetary system on 31 October 1956. In a move described by a senior British politician as “blackmail”, the United States coerced the United Kingdom into withdrawing its forces from the Suez Canal by threatening to withhold pound sterling held at the International Monetary Fund (IMF). However, the British would be shown benevolence in the form of additional funds if they did withdrew promptly. The British had no choice as there was now a run on the pound “viciously orchestrated” by the United States, an example of manipulation (Andrews, 2006: 7). The United States of America then and now has the power to control and direct economic activities and ultimately people through institutions such as the Federal Reserve, the IMF, the World Bank, and the World Trade Organisation. As the issuer of widely used currency that facilitates international trade, the United States has put itself in a position of international monetary hegemonic power even if this position comes with it certain costs such as a responsibility for providing global liquidity by running large trade deficits (Bowles, 2008).

As the current dominant international monetary hegemonic power, the United States has a foreign policy interest in continuing the dominance of its’ own currency in world trade. If commodity exporting nations were to accept other currencies for their exports, demand for U.S. dollars would decline impacting the ability of the United States to finance its' massive budget and trade deficits. The United States made a deal with the Saudis to get them to continue to sell their petroleum exports in U.S. dollar a move that is to America's economic advantage. Saddam Hussein's decision to price Iraqi oil exports in Euros is considered by Clark (2005) as one reason for the 2003 US led invasion of Iraq. The United States is not afraid to use coercive and blunt tactics to get other countries to revalue their currencies in relation to the U.S. dollar, for example the Korean won in 1989, the Japanese yen in 1985 and more recently attempts with the Chinese renminbi (Bowles, 2008). During the malaise of the late 1970s, United States President Jimmy Carter was willing to depreciate the dollar if Japan and Germany would not stimulate their economies in order to lessen America's trade deficits with those countries. International monetary power is therefore capable of affecting the domestic politics of other nations, in an effort to lessen America's monetary power in Germany, that country was eager to encourage the creation of European monetary integration (Andrews, 2006).

The purpose of this essay is to answer the question of whether contemporary China is ready and capable of being the next hegemonic power in international monetary system in the same way that both Great Britain and the United States of America have been. This essay will now look at how Great Britain and the United States found themselves in the position of hegemonic power and to compare the historical factor and circumstances of their paths with that of contemporary China.

The path to hegemony: Determinism

For the purposes of international monetary power the term 'determinism' means a nation finds itself in the position of hegemonic power of the international monetary system by historical factors and circumstances rather than deliberate policies and statecraft. Determinism is the process that best explains how the current and previous hegemonic powers of the international monetary system reached that position. There are four factors essential to a determinist model of rising to hegemonic power: the proximity to construction, a new economic philosophy, pre-existing leadership qualities and the capabilities for geostrategic conduct.

1. Proximity to construction

Proximity to construction means how close an international monetary hegemonic power was to the construction, reform or international acceptance of the new international monetary system. A nation who is instrumental in the construction of a new international monetary system is more likely to be achieve hegemony of that system than a nation which merely is integrated latter on. Concepts such as early adoption are also important to consider in this factor.

Great Britain rose to be the international monetary hegemonic power because it was an early adapter of the Gold Standard as a means of currency valuation. Britain began using gold to value the pound sterling as early as 1717 and with legal force by 1821. That year Britain was alone among the great powers in its commitment to a single metallic standard, most others used both gold and silver or just silver to value their currencies. The advantages for Britain were that they did not have to be concerned with fluctuations in the price of silver. They were also a manufacturing economic titan that no other country could afford to simply ignore even if the cost of trading silver for gold was an extra burden (Kenwood & Lougheed, 1999). The Gold Standard theoretically could have allowed the international monetary system to become polycentric (de Cecco, 1984). If gold could have given Britain automatic hegemony than other economic powers such as Germany would never have been so supportive of it as a standard; gold was thought to be neutral and for this reason was adopted by others (Britton, 2001). Adopting and committing to the Gold Standard early allowed Britain to have a head start in developing institutions to manage the mechanisms of the system. By the time other nations began using the Gold Standard, Britain was already at the centre of the system. Early adoption allowed London to become the primary commodities market for trading gold in a transformation of nineteenth century London described as a "revolution" in terms of financial power (de Cecco, 1984: 76). London became the financial heart of the global economy and benefited from other British advantages such as shipping technology, mature commodities markets and insurance institutions. Other nations such as the United States had no central bank and so deferred to the Bank of England to take global leadership role over monetary policy (Britten, 2001). Transatlantic trade was conducted in pound sterling with London as 'the gold trader of last resort' for the United States who by the turn of the nineteenth century was emerging as a significant export nation (Kennedy, 1987). In some ways, London was lucky to become the centre of international finance because Paris had disappeared as influential after the Franco-Prussian War, Berlin had not yet come to the fore as an economic power and New York was underdeveloped. But because gold was not monopolised by Britain these places became to challenge London as the hegemony of money in the international economy.

Two World Wars and a Great Depression later, confidence in the Gold Standard system fell and the mechanisms by which it operated become obsolete especially in London who tried desperately to recover its' position as the centre of global finance (Kennedy, 1987). The end of the Second World War left the great powers of Europe and Asia in ruins. The last great power standing was the United States of America who in 1944 called an international conference with the specific purpose of redesigning the international monetary system. The United States was unchallengeable in its' desire to design a new monetary system and it had the opportunity to dominate the design from the very beginning. Initial planning was a strictly Anglo-American affair. Although today members of the G-8, Germany, Japan, and Italy were then still enemy nations and therefore not invited to participate. The Soviet Union was ambivalent and would later boycott the system (Gardner, 1972). Stability was to be restored to the international monetary system by the use of fixed exchange rates to prevent competitive devaluations and vulnerability to the volatility of the price of gold. Recommendations for a neutral global currency called the 'bancor' were rejected (Cesarano, 2006). The refusal of the United States to accept 'bancor' was, of course, in its' own self interest.

The United States consciously put itself at the centre of the new international monetary system so it would have the power to open up developing markets, force trade and investment liberalisation and maintain U.S. dollar-denominated debt all under the auspices of 'international' organisation like the IMF. The United States was a supporter of the Adam Smithian assurance that "the most efficient distribution of resources brought about by unimpeded trade would raise productivity all around and thus increase everybody's purchasing power." Nations needing monies for reconstruction after the war had to sign on to this principle and to join these new institutions (Kennedy, 1987: 359-60). Having the headquarters of the IMF in Washington deliberately weakens international and in particular non-U.S. inputs (Gardner, 1972). The goal of the IMF to eliminate exchange controls was clearly in the interest of the United States in the dispensation of the U.S. dollar as the currency of global trade (Kenwood & Lougheed, 1999). The United States needn't worry about IMF sanctions as it could borrow the currency that it alone issues. The United States was therefore capable of going deeply into debt to the rest of the world in its *own* currency making it immune to the financial orthodoxies that everyone nation was subjected to (Bowles, 2008). However the system suffered crisis after crisis until it eventually "collapsed when its leading pillar could bear the strains no more" (Kennedy, 1987: 434). President Richard Nixon in 1971, ended the U.S. dollars convertibility into gold and imposed a 10 per cent tariff on imports. By the 1970s American hegemony in Western Europe was too expensive and no longer as necessary as it was in 1945. The Bretton Woods system had not been designed with German and Japanese economic miracles in mind. The solution to every balance of payment crisis under Bretton Woods was to increase liquidity which has domestic political problems for countries such as inflation, interest rate increases and eventually stagflation. In the end the reconciliation of the desire of the United States for free trade and the desire of the world for national Keynesianism, was unworkable (Gavin, 2004).

Reforms were attempted with the introduction of a quasi-global currency known as Special Drawing Rights (SPR) but the system had no long term functionality and was too rigid for a rapidly changing world. The collapse of Bretton Woods ended the role of gold in international liquidity as currencies from 1980 onwards moved to floating exchange rate of their now fiat currencies (Garber, 1993). China in the past year has made attempts to reform the current system or change the established monetary order. It has sought to replace the U.S. dollar as a global reserve currency, increase its influence at the IMF, and to further integrate an Asian dominated alternative monetary system.

i. Special Drawing Rights

The current financial crisis has been described by IMF Managing Director Dominique Strauss-Kahn as a "systematic meltdown" (Altman, 2009). By the time of the 2009 G-20 summit in London, China was not the only country calling for change in the way global monetary matters are handled and the dangers of have a single national currency doubt up as the predominant currency of trade. The establishment of a so called 'Bretton Woods II' is becoming more and more enviable. Weeks before the 2009 G-20 Summit in London, the Governor of the People's Bank of China, Zhou Xiaochuan, posed the question (Zhou, 2009):

> *"What kind of international reserve currency do we need to secure global financial stability and facilitate world economic growth, which was one of the purposes of establishing the IMF?"*

From his speech titled, 'Reform of the International Monetary System', Governor Zhou, without direct reference, questioned the legitimacy and long term viability of the U.S. dollar as the reserve currency of global trade. He went on to advocate for the usage of a "super-sovereign currency" specifically the expansion of the already available but ill-used Special Drawing Rights (SDR). SDR is a neutral currency in a mechanism similar to gold under the Gold Standard. If China can get a head start by early adaption than its' chances of being attaining hegemony of an SDR dominated international monetary system increase. For China, the G-20 summit in London was a success in that SDR was expanded by $1 billion instead of an expansion of U.S. dollars for bailouts by the IMF. Because voting rights are linked to SDR they are connected to the followings proposals China has made to the IMF in 2009.

ii. IMF voting quotas

China's proximity to reform of the IMF is close but China is not powerful enough to seek these reforms unilaterally and has become more like the leader of an anti-U.S. dollar coalition. So far the IMF has played a very minor role in tackling the causes of the financial crisis and an even lesser role in tending to the consequences (Bergsten, 2008). Reform of the IMF is of great importance to China in the short term if it is to increase its' international monetary power.

China differs from its historic monetary hegemonic power predecessors because it is a fully integrated participant of the status quo international system even though it did not join it until 1967 and seeks only to reform it from the inside (Kent, 2001). A system with Chinese hegemony that mains the institution of the IMF is unlikely. China wishes to see its' voting quota at the IMF increased from its current 3.72 per cent to just behind the United States who is at 17.09 percent, which would mean leapfrogging Japan at 6.13 per cent (IMF, 2009). China's current relationship with the IMF is tense due to China's continued manipulation of the value of its own currency. China obstructs IMF reporting on the matter and the issue is so sensitive that IMF officials are barred from speaking on-the-record about the matter (Wroughton, 2008). With a greater say at the IMF, reporting of China's disregard for the rules will become even harder to report. If China is asked to stump up more money for the IMF it would expect an increase in its' voting rights as compensation (Leonhardt, 2009). But the reform is seen by some in China to be less important and ultimately less necessary than regional integration (The China Daily, 2009).

iii. Alternative 'Asian' systems

One alternative 'Asian' system is the Chiang Mai Initiative (CMI). Created in 2000, CMI is a system of bilateral swap arrangements amounting to $82 billion between ASEAN+3 in 2008. 2009 has seen China become more involved with this Asian institution. It was created in response to the 1997 Asian Financial Crisis (dela Pera, 2009). The CMI has evolved into a multi-lateral system as of February 2009, with a new relationship with the Asian Development Bank (The Korea Herald, 2009, February 23). According to Hu (2009), in the pro-Beijing publication *Beijing Review*, "East Asian countries have started flexing their collective muscles for self-rescue". A special advisor to Asian Development Bank remarked that were China to actively push for an "Asian Monetary Fund" ASEAN and others would be supportive and encouraging (Agence France Presse, 2009). In May, the CMI increased to $120 billion (China's contribution was 32 per cent) plus the establishment of an 'independent surveillance organisation, showing Asia's willingness to limit the powers and necessity of the IMF in their own economies. The IMF in Asia still has a serious credibility issue with many in Asia having "painful memories of 1997" (Hu, 2009:9). China discovered it regional monetary power in 1997 when its' decision not to deepen the Asian Financial Crisis by devaluing its own currency gave it much respect throughout the region (Restall, 2007). Inadequate liquidity has been a major issue for Asia after 1997 and so there has been active encouragement of regional monetary integration and co-operation. The CMI is one such example and is seen as an alternative to the IMF (Rajan & Rongala, 2008). But efforts by China to create an alternative 'Asian Monetary Fund' risk a backlash of protectionism from the United States and Europe causing further isolation of these three economic regions (Bergsten, 2008). And a system that does not include the non-Asian economies cannot be truly international. If CMI were to expand throughout Asia and then beyond, China would have the advantage of being a founding member but it has to compete with Japan and South Korea for the honour of leader.

The proximity to the construction or reform of a new international monetary system is important because it endows the nation with certain advantages that make it more likely to emerge as the hegemonic power of that monetary system. Britain adapted early to the gold standard and simply waited for the other systems such as silver to collapse. When gold did become the international standard Britain was the experienced player. The United States had the opportunity to create a system with itself at the essential centre and take that opportunity. China's on the one hand to reform the status quo system from the inside by promoting SDR as a replacement to the U.S. dollar as a global currency and by campaigning for an increase in its voting quota at the IMF. Such a strategy could have worked if it was pursued more vigorously at the time when the established monetary powers (The United States and the European Union) were most vulnerable in the past year. That time may have past. Also anything less than a total reconstruction of the distribution of power, a restructuring of the prestige hierarchy, and the rules of the game cannot be considered revisionist (Johnston, 2004). The Chiang Mai Initiative and its expansion do have potential but it is neither a China-centric system nor one that will be international in the short term.

2. New economic philosophy

For a nation to become a hegemonic power of any new international monetary system it must be seen by the followers as espousing the economic zeitgeist of global economic activity. The follower nations will be more likely to bandwagon with a hegemonic power who they see as promoting an economic philosophy that will bring them all prosperity in the years to come.

After the Napoleonic Wars of the eighteenth century, Great Britain became a firm proponent of a new economic philosophy known as laissez faire economics which stressed free trade and open markets. The world saw a shift in its economic paradigm with new ideas developing that were critiques of Mercantilism, the previous economic paradigm of the last century. Britain sacrificed its agricultural sector for the sake of its manufacturing sector under the principle of comparative advantage. Exporters of primary products in the Empire and the New World now had an interest in Britain succeeding economically. Britain was now essential for other nations in order for them to industrialise and prosper. London gained primacy in the short and long term loan markets which gave it a position of considerable international influence (Gallarotti, 1995). The economic policies of free trade spread throughout the world and held primacy until the Great Depression of the 1930s.

The United States of America, upon becoming the last great power standing after the Second World War, developed and promoted its' own economic philosophy to the world and other nations had no choice but to follow it. Embedded liberalism, a form of mixed economy at home and free trade abroad became the standard for the nations of the free world. The new international system was an attempt by the United States to reconcile its' commitment to free trade and economic openness with the desire of much of the world for national economic stabilisation and full employment. America's willingness to compromise and accept mixed economies as the 'wave of the future' allowed its international monetary regime plans to be internationally accepted (Ikenberry, 1993). The new international monetary system promoted throughout the world a style of economic development known as the 'Washington Consensus' even into the era of globalisation at the end of the twentieth century.

China is now promoting its own consensus of economic development to its' Asian neighbours. Known as 'Beijing Consensus', this Chinese theory of how a developing nation should be organised in the world was outlined in a paper by Joshua Cooper Ramo for the United Kingdom based *Foreign Policy Center*. According to Ramo (2004) the theory consists of three elements: innovation, quality of life, and self determination. Chinese commentators believe the 'Beijing Consensus' will have appeal in the developing world so China should seek to make it a component of its' soft power (Zheng, 2008). The perceived success of this model in authoritarian capitalist states like China and Russia may represent a viable alternative path to modernity in the eyes of developing nations and could, for the current international order, "mark the end of the end of history" (Gat, 2007: 62). As the economic gap narrows between China and the United States the possibility looms that it will become a true authoritarian superpower on the back of its' market based economy (Gat, 2007). China could lead the developing world with a new economic philosophy. The underperformance of democracies in developing nations is leading to a crisis of confidence in that model. Democracy, human rights, and the rule of law, defamed as 'Western values', push these countries towards the 'Beijing Consensus' model of development. Washington and London too have embraced 'Beijing Consensus' style solutions to the escalating financial troubles including active state intervention in capital flows and nationalisation of banks (James, 2009). China having learned the lessons of *perestroika* and *glasnost* believing in the success of its' own model of development and if other nations are prepared to mimic it than 'Beijing Consensus' could represent the next economic philosophy of the international monetary system (Ledeen, 2008).

For China to have followers it must first articulate and demonstrate a new economic philosophy that other nations will want to emulate. The 'Beijing Consensus' is certainly appealing for governments around the world and particularly in the developing world. Whether people want to sacrifice freedom for economic growth is another matter. The ideological struggle for the future will be between how involved the state should be in the economic market now that market based economics has at least been accepted as the most efficient way of distributing resources even by authoritarian regimes like China. Followers of China's new model of development will tend to be poorer nations and this is unlikely to see destabilisation of the international order in the short to medium term.

3. Pre-existing leadership qualities

The existing leadership capabilities of a nation can be measured in a multitude of ways. For the purposes of international monetary power, a potential hegemonic power of the monetary regime needs at least to have the military capabilities to keep the world stable, the economic capabilities to keep the world's capital flows liquid, and the moral capabilities to justify its' place at the apex of the world order.

As the victor of the Napoleonic Wars, Britain was left to fashion the world in a way that could benefit itself and its' economic ideas and practices. The pound sterling was the most trusted currency in the world and so London became the most trusted financial centre. Britain was the only nation left that had the naval, military, commercial and industrial power to keep a stable world order. Its' behaviour at the Congress of Vienna 1815 cemented its reputation as a first among equals in terms of the great powers in Europe. Britain was able to spread its' ideas and achievements throughout the world, to Africa, South Asia and to the Pacific. The security and stability that a British hegemony in the international monetary system offered was instrumental in fostering commercial activities worldwide. The *Pax Britannica* was a magnetic force in a world where few other nations were capable of offering such benefits (Skidelsky, 1976).

After the Second World War only the United States had the resources to make the new international monetary system work. The Bretton Woods Conference was held in 1944 only a month after the Normandy landings so the other Allied countries were still almost completely dependent on the United States militarily, politically and economically (Gardner, 1972). The United States was thus the only power left in a better economic position after the Second World War than before it (Britton, 2001). The distribution of power in and among the United States, Britain and Continental Europe set the broad limits on the shape of the post-war international economic order (Ikenberry, 1993). The treatment by the United States of former enemies Germany, Japan, and Italy showed its moral leadership. Its' relative restraint during the Cold War was likewise encouraging to other nations who accepted the new *Pax Americana*.

According to Charles Kindleberger's theory of hegemonic stability the United States can continue to be the leader of a relatively stable global order until the marginal costs of the resources needed for that empire to exist outweigh the burdens of maintaining the empire. Such an event occurred with the ending of Bretton Woods in 1971 and more recently with the 1997 Asian Financial Crisis where the United States and the IMF loss much of its' credibility in Southeast Asia. China, as an outsider, gained influence in the region at the expense of the United States (Cheng, 2008). The Pacific Asia region is an area whether China has the opportunity to prove its leadership credentials before moving to become a global leader.

i. East Asian regional integration

China is actively pursuing the creation of an East Asian Free Trade Area (EAFTA) that will give it significant influence in the region to rival the United States and Europe as a zone of economic power. An EAFTA that stretched from India to New Zealand, west to east, and Japan to Australia, north to south, would trigger serious backlash from the United States and Europe and make the world tri-polar in terms of economic power (Bergsten, 2008).

ASEAN itself was an attempt to mitigate American influence in the region. The Malaysians especially have sought to limit "white nations" from East Asian economic affairs and groupings (James, 1996: 498). A China-ASEAN economic bloc would be the largest in the world in terms of trading power (Altman, 2009). Integration of the Asian way of doing business was once seen by the IMF as the only likely product of integration in the region. The idea of an Asian regional economic bloc dismissed in 1996 by the IMF as improbable due to the export oriented nature of the Asian economies, in 2009, no longer seems that way (James, 1996). ASEAN+6 (China, Japan, Korea, India, Australia, and New Zealand) as an economic bloc, is a real possibility which could harm the American and European economies greatly (Kawai & Wignargia, 2008). ASEAN is no pushover to China either and worked hard to create the East Asian Summit including India, Australia, and New Zealand over China's strong objections (Sheng, 2008). Economic regionalism is taking hold in East Asia and accelerating. The continued failure of the Doha round is leading to a proliferation of bilateral free trade agreements in the region in response to American and European stubbornness on agricultural subsidies (Kawai & Wignargia, 2008).

This suits China best because it is disruptive to implantation of multilateral agreements, it instead prefers a policy of creating low quality bilateral agreements that undermine the efforts of the WTO to promote global trade and therefore American interest dominated global trade.

China also lacks the necessary quality of moral leadership because it eschews liberal values needed for a global peace, forcibly maintains empires of captive peoples, threatens to retake Taiwan by force, uses crude military tactics to intimidate, resists multi-lateralism, breaks agreements on non-proliferation, and enjoys the benefits of an international trade system it simultaneously refuses to comply with (Roy, 1998: 221-2). A more powerful China is likely to be bolder in its' foreign policy something many nations will be concerned about (Roy, 1998).

In light of the current global financial crisis, protectionist measures by the United States and Europe may drive ASEAN nations towards China (Restall, 2007). Being relatively structurally unscathed by the current economic crisis, China is in no hurry to "swim together" with the economies of the United States and Europe. At the 2008 China-EU summit, China made proposals of an $80 billion *regional* fund and Premier Wen Jiabao made it clear that China's number one priority was the growth of its own economy. China again pressed hard for ending the effective veto the Americans have at the IMF. One Chinese newspaper stated China's intentions explicitly when it printed "help in this crisis is conditional on America's [relinquishing] of international monetary power (Economist, 2008:32). China is therefore creating a powerbase in East Asia by which it can challenge the United States as the predominant economic power, first in Pacific Asia then the world.

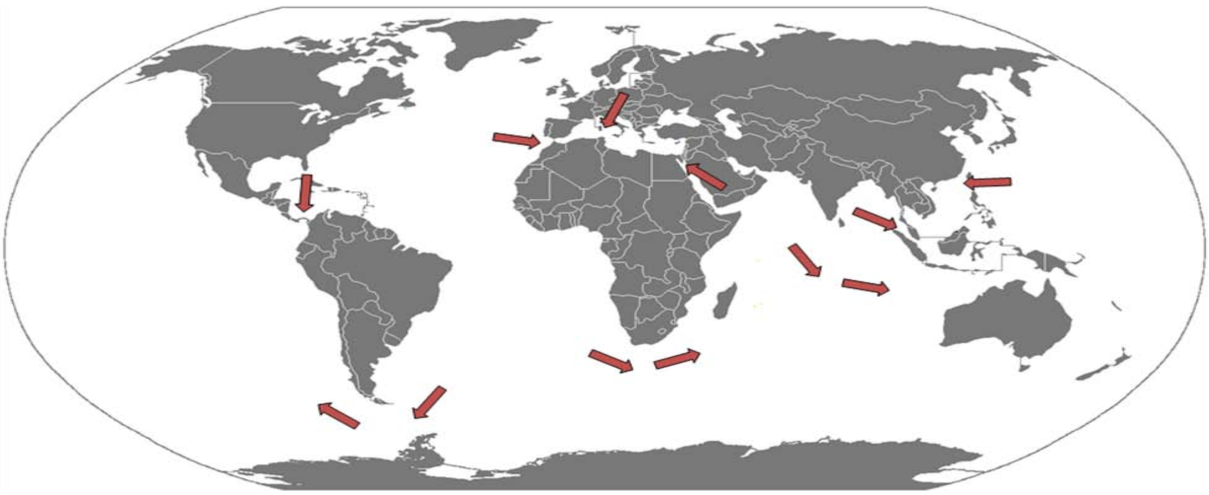
China's attempts to lead the East Asian economic region demonstrate leadership aspirations that could be transferred to a global level. China is no longer considered a disruptive nation in the same way the Soviet Union was in the previous international order and China is seen as a market capitalist opportunity (Zheng, 2008). But China is still not seen as a stabilising force in global politics. Its support of North Korea and a host of other despotic regimes across the globe make a *Pax Sinoca* difficult to envision in 2009. The United States still is the predominant power in terms of military capabilities and China has a long way to go, and a lot of money to spend, before it reaches parity. The nations of Pacific Asia becoming more integrated with China is an opportunity to demonstrate leadership and be a pull factor for other nations to want to defer. However, China simply lacks the 'shining city on the hill' moral leadership qualities that a leader like the United States still has.

4. Capabilities for geo-strategic conduct

To operate an international system of trade, goods must be able to be transported to markets across the globe. The easiest and most efficient means to do this is transportation by sea. A hegemonic power of the international monetary system, a vital system to international trade, must therefore be able to control the vital geostrategic chokepoints of the globe to maintain safe access for their goods and the goods of their deferential followers.

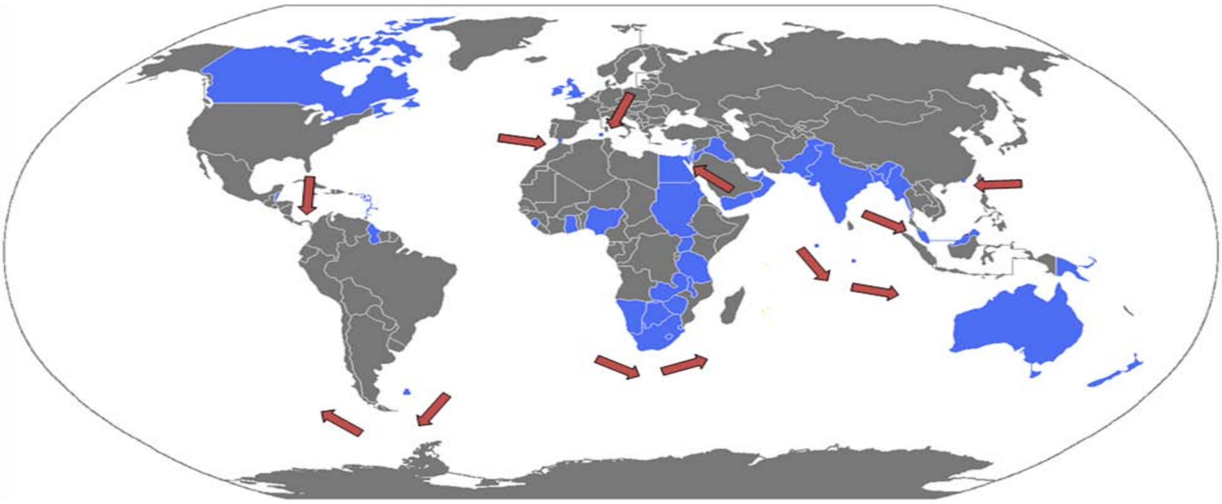
The following are key geostrategic chokepoints (see Figure 1 below): the Pillars of Hercules, the Mediterranean centre, the Suez Canal, The Indian Ocean, the Cape of Good Hope, the Strait of Malacca, the South China Sea, the Panama Canal, and Cape Horn (Brzezinski, 1997).

Figure 1 – Key geo-strategic chokepoints of the globe



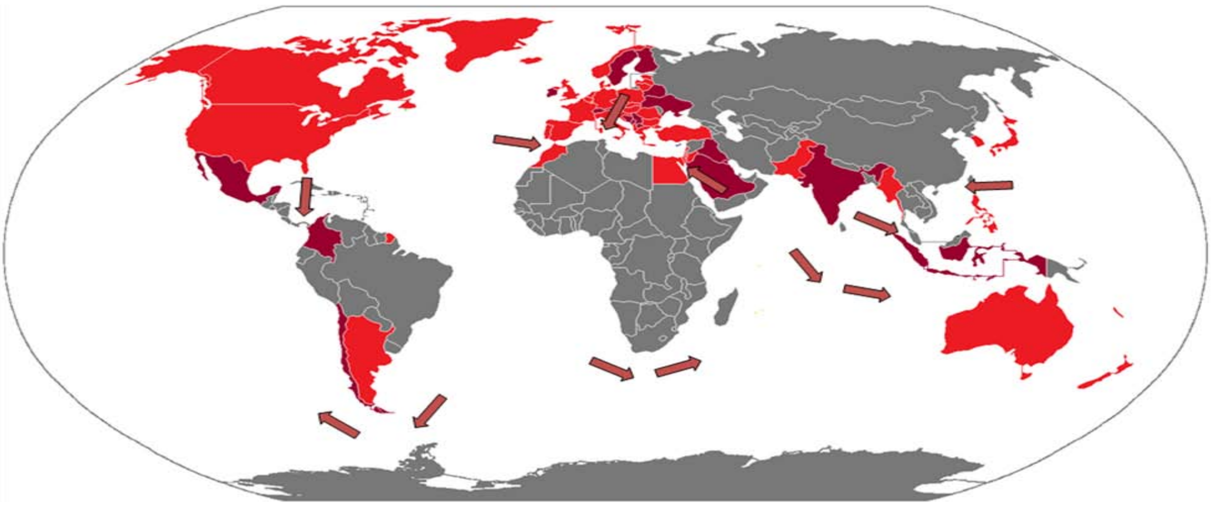
Maintaining stability and even control over these strategic chokepoints is vital. The nations that are close to, or are part of these places are therefore prime candidates for hegemonic control. Gibraltar, Malta, Egypt, India, Australia, Malaysia, Singapore, Hong Kong, and the Falkland Islands are vital to world trade and were all, unsurprisingly, part of the British Empire during the period of the Gold Standard (see Figure 2 below). Direct colonisation and imperialism were the means Great Britain used to hold these vital chokepoints. Britain could keep open the main trade routes for commerce with its asymmetrical naval capabilities which established a *Pax Britannia* for the nineteenth century.

Figure 2 – Extent of the British geostrategic influence in 1919



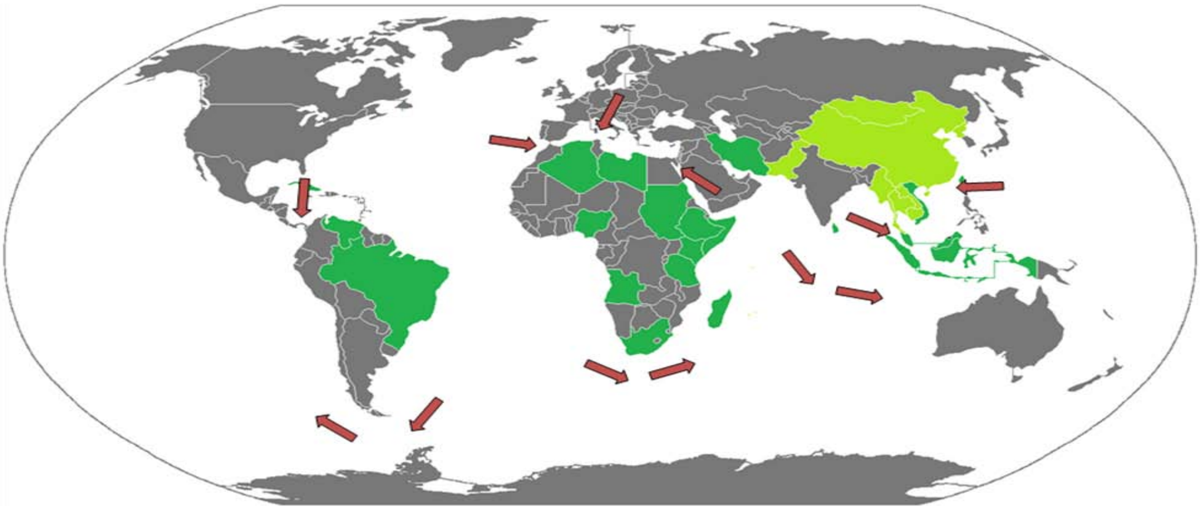
The United States on the other hand used alliances and sometimes other tactics to control these nations and therefore access for traded goods post-1944. The United States in fact owned the Panama Canal until the end of 1999. The United States used formal defence pact such as NATO as well as declarations and support of what they term 'non-NATO partners' to keep open the trade routes just as Britain had previously (see Figure 3 below).

Figure 3 – Extent of United States of America's geostrategic influence in 2009



China must be able to ensure that it can keep these places safe and open if it is to be seen as a leader of trade and monetary systems by other nations. China, if it is to follow the same methods as its predecessors, needs an effective strategy for control of the trade route chokepoint and the means to do so. China's strategy, if one can even call it that, seems to be one of investment in the third world nations that straddle these vital points. Africa is a major region for such economic investment. China's concerns over the Somali pirate issue is also encouraging as it shows China is prepared to fight for access to the trade routes for itself and others. Denny Roy of the East-West Institute asked rhetorically: "Why do the Chinese need a blue-water navy when the US Navy already polices the world's oceans?" (Times of London, 2008) The answer is that without a powerful navy China will never be able to establish a *Pax Sinoca*. Therefore China's capability for geo-strategic conduct in the year 2009 is very poor (see Figure 4 below). China lacks the power and means to control the key chokepoints on the world map that can secure the trade routes and the loyalty of other nations who wish to use them.

Figure 4 – Extent of People's Republic of China's geostrategic influence in 2009



Determinism: Conclusion

For a nation to be possess hegemony over the international monetary system, history has demonstrated that events and circumstances play an important role in that determination. In the four categories explored above, China has not shown that it has reached the point in its' historical development where international monetary hegemony will simply fall into its' lap as it did for previous hegemonic powers, Great Britain and the United States of America.

China has not questioned the legitimacy of the institutions and infrastructure of the status quo system enough. It has sought only to reform from the inside, a significant difference from the previous examples of hegemony. China's espousal of a new type of economic development is more promising especially when governments around the world are taking greater control over the financial sectors of their economies in light of the Global Financial Crisis. A growing leadership role in the Pacific Asia region is also a positive step if China can expand this to other parts of Asia and across other continents. China is significantly behind in its geostrategic conduct in regards to shipping but not in resource acquisition, China has close ties, through investment, to Africa but these are not enough.

In conclusion, China has some time to wait if it is to follow the same path to international monetary hegemony that Great Britain and the United States of American did. However if China could adopt and implement the right monetary policies and seek international monetary hegemony as a goal it may be able to achieve such a position. Now this essay will analyse the monetary policies and economic strategies of contemporary China to evaluate whether China can be the exceptional first nation to claim control of the international monetary system by decision, planning and statecraft.

The path to hegemony: Free will

The general theme of geopolitical analysis of the current Global Financial Crisis is that the global recession will produce "major geopolitical setbacks for the United States and Europe" with a "shifting [of] the world's centre of gravity way from the United States" (Altman, 2009: 2). China will achieve a stronger position relative to the United States due to its $2 trillion U.S. dollars held as foreign currency reserves, making it the strongest liquidity economy in the world today. With opportunities to solidify strategic advantages, a predicted growth rate of 8.5 percent for 2009, and with a relatively small financial sector, the global financial crisis, has been a relative geopolitical blessing in disguise for China (Altman, 2009). Today it is Asia that may be entitled to lecture the United States on economic management (James, 2009). This free will section simply asks the question: Can China be different? Does the previous determinism factors mentioned matter in the case of China? By looking at contemporary Chinese monetary policy, economic strategy, and the response of the United States to China's monetary rise, this sections seeks to answer these questions.

1. China's Monetary Policy

China's current monetary policy has more in common with eighteenth century mercantilism than it does with late twentieth century neo-liberalism (James, 2009). China's currency the renminbi is kept from appreciating by the People's Bank of China in order to artificially lower the price of China's exports. This leads to China having a significant current account surplus with nations it trades with. Instead of increasing imports from the United States, China uses its' surplus of U.S. dollar to purchase U.S. Treasury securities and U.S. based assets as a matter of state policy (James, 2009). This is a strategy of selling the

United States cheap manufactured goods and then using that money to finance the debts of the United States government (Pettis, 2008).

The Governor of the People's Bank of China and the chief monetary policy maker, Zhou Xiaochuan, has made speeches and released discussion documents that directly address China's position on the distribution of international monetary power. For Governor Zhou the replacement of the U.S. dollar with another global currency is "a desirable goal" (Zhou, 2009). He has questioned the reliance on the U.S. dollar two years earlier when China moved to second place on the list of America's largest exporters (Burdekin, 2008). A change in the hegemonic power of the international monetary system is certainly on the mind of the top monetary policy experts in China.

China's Monetary Policy since 1978 has deliberately held the living standards of its' own people down in order to focus their current account surplus on propping up, perhaps unintentionally, the living standards of Americans. It is illegal in China for banks to control the destination of payments made to them in U.S. dollars. By law all U.S. dollars must be exchanged at the People's Bank of China where they are then sent to the State Administration of Foreign Exchange (SAFE), for investment in the United States economy. China therefore denies its' own people consumer level monetary power in order to aggregate it and use it on a national level to break the long term stability and financial viability of the U.S. dollar and the United States economy (Fallows, 2008a). The Chinese population themselves are not happy with this 'recycling' of U.S. dollars strategy. According to top Chinese banker Gao Xiping, they "hate it" (Fallows, 2008b: 65).

China's monetary policy is tight and controlled which could allow for the execution of a strategy to increase international monetary power if China wished. Damaging the United States economy and therefore its' monetary power would be relatively easy. A dramatic unloading of U.S. dollars by China, known as the 'nuclear option', would lead to a dramatic collapse of the United States economy. With a current account that increases by an estimated $1 billion U.S. dollars per day, China effectively has a gun held to the head of the United States economy. A few sentences from the mouth of Wen Jiabao and there could be a run on the U.S. dollar (Fallow, 2008a). With a current account surplus of between 11-13 per cent of GDP, China is in a position where if it wanted to it could destroy the value of the U.S. dollar overnight (Bergsten, 2008: 62).

China currently finds itself in a position *vis-à-vis* the United States of America, where the latter's economic well being is now dependent on reassurances by the former that they will not sell Treasury bonds on mass and doom the American economy to high inflation, increasing unemployment and negative growth rates (Fallow, 2008a). Fareed Zakaria notes in *Newsweek* (2009):

"From the Spanish Empire in the sixteenth century to the British Empire in the twentieth century, great global powers have always found that her fortunes begin to turn when they get overburdened with debt and stuck in a path of slow growth."

The United States has accused China of using its monetary policy to maintain massive trade imbalances with the United States, aggressive acquisition of U.S. based companies and assets, and forced manipulation of the value of the renminbi to put the U.S. dollar in danger of losing its monetary power in global trade. Such accusations serve to drive a wedge between good Sino-American relations and are reminiscent of the 'Japan scare' of the 1980s when Japan was accused of similar tactics for international monetary hegemony (Jackson, 2008). A simple devaluation of the renminbi is now too late because of the nature of North East Asian exports to the United States. As China holds trade deficits with Japan, Korea, and Taiwan a devaluation would merely move manufacturing not back to the United States but to Southeast Asia, further integrating the Asian continent (Burdekin, 2008).

China appears to understand monetary power as a zero-sum game in which they need to take from the United States in order to achieve a greater share. Chinese banker Gao Xiping now considers China "on equal footing" with the United States due to the monetary policies of the Chinese central bank. His advice to the United States to lessen the influence of the Chinese bankers: cut your defence budget (Fallows, 2008b: 65). The last thing the United States needs to do is loss its' military power as well as it monetary power to China. Since the crisis the value of the U.S. dollar has been volatile with the fear of toxic assets causing a fall in the demand for U.S. dollar denominated assets worldwide. The outlook for the dollar in the long term is uncertain with the U.S. Federal Reserve pursuing a policy of expansion with 0 per cent interest rates as well as the U.S Government launching a massive fiscal stimulus that could make a quick recovery difficult (Korea Herald, 2009, February 5).

China's current monetary policy strategy has resulted in an accumulation of U.S. dollars which China seems to be using to prop up the economy of the United States. If China decided to use this incredible weapon of influence on the current international monetary hegemonic power's economy it could seriously damage the monetary power of the United States. But because the two economies are so intertwined it would damage China as well. China's monetary policy has in fact made the United States more secure in its status as the current international monetary hegemonic power.

2. The American obstacle

How the United Status as the current hegemonic power of the international monetary system reacts to a challenge to its' status will be critical. Recognising that China may have international monetary power ambitions is part of the discussion in American foreign policy circles on the subject of China's rise and consequences for the American dominated international system. The American foreign policy establishment seems to be in agreement that the best policy for the United States is to engage China, and integrate it into the status quo systems of the international order, and not try and obstruct China. This includes the current international monetary system. But is incorporation into the current system the right move for the United States or does it give China greater control of its monetary power ambitions? American recommendations for international monetary reform seem to be to fully incorporate China into the status quo in order to satisfy it and then make China another defender of the largely American dominated system (Bergsten, 2008). It is thought China, as a rising power, would rather accommodate itself to the status quo system then act like a revisionist power intent on change and therefore instability. Because China has gained much of its power from the current American dominated system it will remain with the system due it is rules based nature that can be used to prevent other powers from discriminating against China (Ikenberry, 2008).

The actions of the United States are the only thing that could prevent China from being different and being able to become a international monetary hegemonic power through statecraft and policy alone. However if the United States were to consolidate monetary power with Europe and Japan or the OECD nations to balance China, then China would find it too difficult to reform the status quo and would be forced to accommodate itself. Many American foreign policy experts believe that full integration of China into the current system is the only option, and it would create a Sino-America relationship that is co-operative by having America and China mutually dependent on each other (Haas, 2008). Other American foreign policy makers and commentators have spoken about maintaining United States dominance of the international monetary system but advocate policy that would do the opposite; policies that would give China greater influence in the monetary system suggested out of notions of 'international fairness'. Former U.S. Secretary of State, Henry Kissinger recommends that President Obama engage China more actively and take integration "to a new level". Former National Security Advisor Zbigniew Brzezinski advocates for the establishment of a 'G-2' group so that the United States can meet and act with China as an equal (Economy & Segal, 2009: 14). Who needs to plan for an increase in international money when the current hegemonic power will just give it to you? President Obama has dismissed China's call for a new global currency, "I don't believe there is a need for a global currency". He also stated that the U.S. dollar is "extraordinarily strong right now". His Treasury Secretary, Timothy Geithner and Federal Reserve Chairman, Ben Bernanke also rejected China's ideas (Wroughton, 2009). To be fair, they cannot say any different for domestic political reasons. But for the sake of American hegemony in the international monetary system they are the right attitudes to have.

There does exist, in discussion of reform of the international monetary system, a middle ground which both the United States and China can broadly agree on. They can agree that the completion of Doha round for trade negotiations will probably produce minimal results, the IMF is impotent when it come to enforcement of its own rules, the World Bank has lost its sense of direction, the G-8 is an anachronism, and that the status quo international monetary system has lost it's legitimacy in light of the current financial crisis (Bergsten, 2008). There is agreement that reform of the IMF is crucial now that the $250 billion U.S. dollar fund is rapidly depleting due to Hungary, Iceland, Pakistan, the Ukraine, and six other nations in need of a bailout (Altman, 2009). Also that conditionality should be suspended because it inhibits national fiscal policies and undermines the institution's image. Plus nations with current account surpluses should be given a bigger stake in the institution, this means China in particular. And finally, the next managing director of the IMF should be from an Asian country not, as it always has been, a European one (James, 2009).

The American foreign policy establishment seem to be convinced that China will not seek revisionism in the current international monetary system. They believe with a few reforms China will be satisfied and American hegemony will continue. Increasing voting quotas and 'window dressing' moves like an Asian as managing director at the IMF may seem like proposals that both America and China can agree on, but the American proponents of such actions fail to appreciate just how ambitious China is to reclaim its' prestige as a global power in the international system. What China wants is not to be an equal because of the benevolence and generosity of the United States, but it wants to be seen as a leader of the world based on its own self-determination and power.

The fourth generation leadership of the Chinese Communist Party (CCP) in China is much more assertive in its' foreign policy ambitions than the previous generation. They seem only to pay lip service to the dictum of Comrade Xiaoping that China should "never [take] the lead" in international affairs. The co-operation and closer relations of Jiang Zemin and the United States was the stuff of jokes among China's diplomatic officials. President Hu Jintao has moved to make foreign policy more 'scientific' and less 'romantic' therefore China can now be considered a realist in matters of power politics. China only began to co-operate on the 'War on Terror' once the United States agreed to make suppression of East Turkmenistan independence movements in Xinjiang province a part of that war. (Lam, 2006: 160-4).

The United States is slowly losing its influence as the last obstacle to China as a rising monetary hegemonic power. There is a disconnect between what American foreign policy makers think China wants in terms of international monetary reform and what China is doing to enact reforms.

Free Will: Conclusion

China's policy objectives, to gain international monetary power at the expense of the United States, reveals that China is trying to increase its' monetary power at an international level. The maximisation of the national interest is more important to China than potential power through benevolence. China artificially keeps its own citizens poorer than they should be in order to increase the power of the People's Bank of China and unintentionally the American middle class. China's monetary policy is only concerned with increasing state power. China is patient and is thinking long-term in regards to monetary power as it should be.

Also the United States is failing to appreciate the ambition of China in attaining international monetary power and replacing it as the leader of a new or reformed international system. Attempts at integration, the current United States strategy, will fail for four reasons: Firstly, China seeks 'prestige' for itself by fostering a 'reputation for power' that is intended to impress other nations. By denying China power, and therefore prestige, this creates for China a 'negative policy of prestige' that can make China a destabilising force in world politics. The reputation of the CCP rests on the respect China receives from the international community (Deng, 2008). Stalin's refusal to participate in Bretton Woods in 1944, even after concessions by the Americans and British, shows that ambitious powers are not always responsive to the benevolence of other powers if they believe they will be the stronger power in the decades to come (Ikenberry, 2008). Secondly, monetary theory has not reached the 'end of history' in the same way that trade theory and globalisation have. There is still no consensus among nor within nations about which is the better mechanism for an international monetary system in terms of fixed versus floating rates, metallic standards or the 'rules of the game'. There is also an inherent conflict in the monetary system between being a responsible monetary power internationally and responsibilities relating to macroeconomic policy. China has shown itself at times to be a mercantilist power when it is in China's domestic political best interests (Kirshner, 2008). China is lukewarm to notions of universal standards that are not it's own (Deng, 2008). China is certainly a rule maker in the IMF, WTO, and the World Bank as well as ASEAN and APEC (Sutter, 2006), but it is also a rule breaker in those organisations and groupings. China's benevolence is always calculated in it's own self interest; there is nothing wrong with this, the United States should be aware that any power they give to China will not be given back. An advisor to President Hu Jintao figured that when the United States and China are equal in terms of their mutual economic dependence on each other, China could then push the Americans on the Taiwan issue (Lam, 2006). Thirdly, China was largely excluded from the construction of the new world order after 1989 and so, in the American dominated system that was created, China considers itself, and is considered by others, as the ‘other’ (Deng, 2008). The domination of the IMF by American and European interests is a continuing concern for China with Chinese leaders concerned that the United States as a benign uni-polar power will not be a hegemonic power of the international system working in China’s national interests (Sutter, 2006). Finally, the ‘China threat theories’ of some policy-makers in the American, European, and Japanese foreign policy establishments make a leadership role for China international monetary system unlikely to be voluntarily created. For instance, Japan would not accept China as the East Asian leader willingly (Deng, 2008). The integration of China with the nations of ASEAN has diffused China’s soft power into the East Asian region and thereby makes ASEAN more likely to want what China wants. This has implications for the Americans bilateral relations with these countries as they begin to align themselves with the interests of China (Kirshner, 2008). An acknowledgement of China as the leader of Pacific Asia has geopolitical implications for the Japanese-American relationship. There is a delicate balance to the United States-Japan-China relationship for the stability and peace of East Asia, giving more powers to China and her vessels may alienate Japan something neither the United States nor China wants.

Conclusion

International monetary power brings with it the capabilities of immense privilege and power in foreign policy for the nation who possess it. A nation who is fundamental to the economic well being of others is more likely to be given a ‘free hand’ to conduct foreign policy in its own self interest and even with assistance from others with no reward but the appreciation of a grateful hegemonic power. This was the case with Great Britain in the nineteenth century when the pound sterling could be counted on to be ‘as good as gold’ for world trade thereby making Britain wealthier and capable of ‘ruling the waves’. The United States of America likewise came to see the benefits of money for foreign policy when it was able to construct an international monetary system that had itself at the centre with institutions that worked for its’ benefit.

China is not in the same position that Great Britain and the United States were when they achieved hegemony over the international monetary system. Looking at four common factors that both Great Britain and the United States had, China does not score very highly in any of them. For proximity of construction of the new system China is only making minor reform proposals and is not planning a new system with itself at the centre. For a new economic philosophy China has yet to convince the world that the ‘Beijing Consensus’ is the future of economic growth. For existing leadership qualities China is not yet thinking globally only regionally. And for geo-strategic conduct China is still not capable of controlling the essential chokepoints of the world map.

China cannot ignore these factors and control its own monetary destiny with policy and statecraft alone. Whilst China foreign policy makers talk about reform and replacing the U.S. dollar as the global currency but its monetary policies will not achieve this. China's monetary policies are leading to a situation where any attempt to overthrow the United States as the international monetary hegemon will be quixotic. However China maybe lucky in that the United States foreign policy establishment does not seem to fully appreciate that the problem as may inadvertently make itself a weak obstacle to the rise of China in the international system.

In conclusion, China's rise to international leadership is not providential in the short to medium term. China will remain a relatively poor country per capita for the next 50 or so years and an authoritarian regime for maybe longer. China facing two problems in its quest for monetary leadership: maturity and mercantilism. China is still an immature power compared to Britain and the United States of America before they became leaders and China's economic policies are too mercantilist in nature to assure other nations that deferring to China will benefit them. Certainly reform of the status quo is needed in light of the failings we see around us at the end of 2009, but to potentially distribute future international power on the basis of fairness and economics of the present could have disastrous effects for the world. China has an understandable desire for international monetary power but China is simply not ready to leader an international order that it is not yet a full and co-operative member of.

References

Agence France Presse. (2009, May 4). China, Japan, South Korea, ASEAN Agree on Wider Currency Swap Arrangements [Electronic version]. *ASEAN Secretariat*. Retrieved 18 September 2009. From http://www.aseansec.org/afp/113.htm

Altman, R. C. (2009). The Great Crash. *Foreign Affairs, Vol. 88, No. 1*, Jan/Feb 2009. pp. 2-14.

Andrews, D. M. (2006). Monetary Power and Monetary Statecraft. In D. M. Andrews (Ed), *International Monetary Power*. Ithaca, NY, USA: Cornell University Press. pp 7-31.

Bergsten, R. C. (2008). A Partnership of Equals: How Washington should respond to China's economic challenge. *Foreign Affairs, Vol. 87, No. 4*, Jul/Aug 2008. pp. 57-69.

Bowles, P. (2008). *National Currencies and Globalisation: Endangered specie?* New York City, NY, USA: Routledge. pp. 34-67.

Britten, A. (2001). *Monetary Regimes of the Twentieth Century*. Cambridge, UK: Cambridge University Press. pp. 112-168.

Brzezinski, Z. (1997). *The Grand Chessboard: American Primacy and its Geostrategic Imperatives*. New York City, NY, USA: Basic Books, p. 4.

Burdekin, R. C. K. (2008). *China's Monetary Challenges: Past experiences and future prospects*. Cambridge, UK: Cambridge University Press. pp. 128-199.

Casearano, F. (2006). *Monetary Theory and Bretton Woods: The Construction of an International Order*. Cambridge, UK: Cambridge University Press.

Cheng, G. (2008). Contested international relations theory and China's constructing regional entitlement. In W. Gungwu & Y. Zheng (Eds), *China and the new international order*. New York City, NY, USA: China Policy Studies.

The China Daily (2009, May 14). Nations may have bigger say in restructured IMF [Electronic Version]. *China Daily*. Retrieved 25 August 2009. From www.chinadaily.com.cn/bizchina/.../content_7775618.htm

Clark, W. (2005). *Petrodollar Warfare: Oil, Iraq and the Future of the Dollar*. Gabriola Island, BC, Canada: The New Society Publishers. p. 31.

de Cecco, M. (1984). *The International Gold Standard: Money and Empire*. London, UK: Frances Pinter Publishers. pp. 76-102.

Deng, Y. (2008). *China's Struggle for Status: The Realignment of International Relations*. Cambridge, UK: Cambridge University Press.

dela Pera, G. S. (2009, January 9). Finance Ministers to meet on expanded Chiang Mai plan [Electronic version]. *Business World*, Retrieved 18 August 2009. From www.bworldonline.com/BW102508/content.php?id=001.

The Economist (2008, November 1). The credit crunch: China's moves to centre stage. *The*

Economist. p. 25.

Economy, E. C. & Segal, A. (2009). The G-2 Mirage. *Foreign Affairs, Vol. 88, No.3*, May/Jun 2009. pp. 14-23.

Fallows, J. (2008a). The $1.4 Trillion Question. *The Atlantic Monthly, Vol. 301, No. 1*, Jan/Feb 2008. pp. 36-48.

Fallows, J. (2008b). "Be nice to the countries who lend you money", An interview with America's Chinese Banker. *The Atlantic Monthly, Vol. 302, No. 5*, Dec 2008. pp. 62-5.

Gallarotti, G. M. (1995). *The Anatomy of an International Monetary Regime: The Classical Gold Standard 1880-1914*. Oxford, UK: Oxford University Press. pp 86-111, 111-141.

Garber, P. M. (1993). The Collapse of the Bretton Woods Fixed Exchange Rate System. In M. D. Bordo & B. Eichengreen (Eds), *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*. Chicago, IL, USA: The University of Chicago Press.

Gardner, R. N. (1972). The Political Setting. In A. L. K. Acheson, J. F. Chant & M. F. J. Parachowny (Eds), *Bretton Woods Revisited: Evaluation of the International Monetary Fund and the International Bank for Reconstruction and Development*. Toronto, ON, Canada: The University of Toronto Press.

Gat, A. (2007). The Return of Authoritarian Great Powers. *Foreign Affairs, Vol. 86 No. 4*, Jul/Aug 2007. pp. 59-69.

Gavin, F. J. (2004). *Gold, Dollars, and Power: The Politics of International Monetary Relations, 1958-1971*. Chapel Hill, NC, USA: The University of North Carolina Press. pp 1-17, 17-33, 187-97.

Haass, R. N. (2008, December 8). Don't Isolate, Integrate. *Newsweek*, pp. 17-9.

Hu, Y. (2009, May 21). Asia's Commitment. *Beijing Review, Vol. 52, No. 20*. pp. 15-8.

Ikenberry, G. J. (1993). The Political Origins of Bretton Woods. In M. D. Bordo & B.

Eichengreen (Eds), *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform*. Chicago, IL, USA: The University of Chicago Press.

Ikenberry, G. J. (2008). The Rise of China: Power, Institutions, and the Western Order. In R. S. Ross & Z. Feng (Eds), *China's Ascent: Power, Security and, the future of international politics*. Ithaca, NY, USA: Cornell University Press.

IMF (2009). *IMF Members' Quotas and Voting Power, and IMF Board of Governors*. Last Updated: September 11, 2009. Retrieved 13 September 2009. http://www.imf.org/external/np/sec/memdir/members.htm.

Jackson, V (2008). China Unlearns U.S. Trade Lessons. *Far Eastern Economic Review, Vol. 171, No. 1*, Jan/Feb 2008. pp. 29-33.

James, H. (1996). *International Monetary Co-operation since Bretton Woods*. Washington DC, USA: International Monetary Fund and the Oxford University Press.

James, H. (2009). The Making of a Mess: Who Broke Global Finance, and who should pay for it. *Foreign Affairs*, *Vol. 88, No.1*, Jan/Feb 2009. pp. 162-8.

Johnston, A. I. (2004). Beijing's Security Behaviour in the Asia-Pacific. In J. J. Suh, P. J. Katzenstein, & A. Carlson (Eds), *Rethinking Security in East Asian*. Stanford, CA, USA: East-West Centre. pp 34-97.

Kawai, M. & Wignargia, G. (2008). A Broad Asian FTA will bring big gains. *Far Eastern Economic Review, Vol. 171, No. 3*, April 2008. pp. 46-8.

Kennedy, P. (1987). *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*. New York City, NY, USA: Random House. p. 359-60, 434.

Kent, A. (2001). China's participation in international organisations. In Y. Zhang & G. Austin (Eds), *Power and Responsibility in Chinese Foreign Policy*. Canberra, ACT, Australia: Asia-Pacific Press.

Kenwood, A. G. & Lougheed, A. L. (1999). *The growth of the international economy 1820-2000, An introductory text (4th edition)*, Suffolk, UK: Routledge.

The Korea Herald (2009, February 23). Asia to expand currency pool [Electronic version]. *The Korea Herald*. Retrieved 6 September 2009. From http://www.koreaherald.co.kr/NEWKHSITE/data/html_dir/2009/02/23/200902230035.asp.

The Korea Herald (2009, February 5). New Global Financial Order: U.S. dollar status weakens amid global crisis [Electronic version]. *The Korea Herald*. Retrieved 6 September 2009. From http://www.koreaherald.co.kr/NEWKHSITE/data/html_dir/2009/02/05/200902050071.asp.

Lam, W. W. (2006). *Chinese Politics in the Hu Jintao Era: New Leaders, New Challenges*. Armonk, NY, USA: An East Gate Book. pp. 160-4.

Ledeen, M. A. (2008). Beijing embraces Classical Fascism, in *Far Eastern Economic Review, Vol. 171, No. 4*, May 2008. pp. 8-11.

Leonhardt, D. (2009, May 13) The China Puzzle [Electronic version]. *The New York Times*. Retrieved 30 July 2009. From http://www.nytimes.com/2009/05/17/magazine/17china-t.html?pagewanted=all.

Magdoff, H. (2003). *Imperialism without Colonies*. New York City, NY USA: Monthly Review Press. pp 35-57.

Pettis, M. (2009). China's Great Bond Challenge. *Far Eastern Economic Review, Vol. 172, No. 1*, Jan/Feb 2009. pp. 8-13.

Rajan, R. S. & Rongala, S. (2008). *Asia in the Global Economy: Finance, Trade and Investment*. Singapore: World Scientific.

Restall, H. (2007). China's bud for Asian Hegemony. *Far Eastern Economic Review, Vol. 170, No. 4*, May 2007. pp. 10-14.

Ramo, J. A. (2004). *The Beijing Consensus [Electronic version]*. London, U.K: The Foreign Policy Center. Retrieved 20 September 2009. From http://fpc.org.uk/fsblob/244.pdf

Roy, D. (1998). *China's Foreign Relations*. Lanham, MA, USA: Rowman & Littlefield

Publishers. pp 158-215, 215-227.

Sheng, L. (2008). China and ASEAN in Asian regional integration. In W. Gungwu & Y. Zheng (Eds), *China and the new international order*. New York City, NY, USA: China Policy Studies. pp 256-79.

Skidelsky, R. J. A. (1976). Retreat from Leadership: The Evolution of British Economic Policy, 1870-1939. In B. M. Rowland (Ed), *Balance of Power or Hegemony: The Interwar Monetary System*. New York City, NY, USA: New York University Press. pp 147-195.

Sutter, R. (2006). China's Relations with the United States and Japan: Status and outlook. In T. Cheng, J. deLisle & D. Brown (Eds), *China under Hu Jintao: Opportunities, Dangers and Dilemmas*. Singapore: World Scientific.

The Times of London (2008, December 26). China sends navy to fight Somali pirates [Electronic version]. *The Times of London*. Retrieved 24 September 2009. From http://www.timesonline.co.uk/tol/news/world/africa/article5398856.ece

Walter, A. (2006). Domestic Sources of International Monetary Leadership. In D. M. Andrews (Ed), *International Monetary Power*. Ithaca, NY, USA: Cornell University Press, pp 51-72.

Wroughton, L. (2008, April 5). IMF Rules have China on edge [Electronic version]. *The International Herald Tribune*. Retrieved 22 August 2009. From http://www.mydigitalfc.com/iht/imf-rules-have-china-edge.

Wroughton, L. (2009, March 24). U.S. top economic chiefs dismiss reserve currency idea [Electronic version]. *Reuters*. Retrieved 28 September 2009. From **http://www.reuters.com/article/GCA-CreditCrisis/idUSTRE52N7LR20090324**

Xiaochuan, Z. (2009). *Reform of the International Monetary System [Electronic version]*. Beijing, China: The People's Bank of China. Retrieved 22 June 2009. From www.pbc.gov.cn/english/detail.asp?col=6500&id=178.

Zakaria, F. (2008, June 8). Boom Times are back: Just not here in the United States,. *Newsweek*. p. 22.

Zheng, Y. (2008). Understanding Chinese views of the emerging global order. In W. Gungwu & Y. Zheng (Eds), *China and the new international order*. New York City, NY, USA: China Policy Studies. pp 149-68.

ABOUT THE CHINA PAPERS SERIES

China Papers is a programme of regular publication of working papers by the New Zealand Contemporary China Research Centre.

PAST ISSUES

1. Michael Powles, *Pacific Perspectives on the Rise of China*
2. Xiaoming Huang, *The Global Economic Crisis and the China Phenomenon: The Asian Development Model Revisited*
3. Sheng Hong, *Institution Formation, Imitation and Borrowing: Zhongguancun as a Case Study on Mechanisms of Institutional Change*
4. Bi Jianghai, *A Case Study of PRC Policymaking on Taiwan during the 1995-96 Taiwan Crisis*
5. Katie Lynch, *China and the Security Council: Congruence of the Voting between Permanent Members*
6. Yujun Feng, *The Interplay Of Power, Rights and Interests: Law and Economic Analysis of Urban Housing Demolition and Relocation in China.*
7. Dingping Guo, *Institutional and Accumulation and Gradual Substitution: The Dynamics of Developmental Democracy in China*
8. Harry Harding, *China and international Relations*
9. CS Bryan Ho, *Village Elections and the Institutionalisation of Legitimate Authority*
10. Yong He, *Progpaganda vs. Promotion: The Political Economy of CCTV*
11. Xiaoming Huang, Efficiency Institutions and China's Great Transformation: A Research Framework
12. Xiaoming Huang, *India's China Problems: Perception, Dynamics and Social Security*

ABOUT THE CHINA CENTRE

The New Zealand Contemporary China Research Centre provides a national platform for China-related capability building and knowledge sharing among tertiary institutions, the business community, and public sector organizations in New Zealand for effective engagement with China.

ChinaCentre@vuw.ac.nz ☎ 64(4) 463-9549 http://www.victoria.ac.nz/chinaresearchcentre