Review of International Political Economy

Publication details, including instructions for authors and subscription information:
http://www.tandfonline.com/loi/ripp20

Turning point: International money and finance in Chinese IPE

Xin Wang\textsuperscript{a} & Gregory Chin\textsuperscript{b}

\textsuperscript{a} University of International Business and Economics, Beijing, China
\textsuperscript{b} Department of Political Science, York University, Canada

Published online: 18 Dec 2013.

To cite this article: Xin Wang & Gregory Chin (2013) Turning point: International money and finance in Chinese IPE, Review of International Political Economy, 20:6, 1244-1275, DOI: 10.1080/09692290.2013.824912

To link to this article: http://dx.doi.org/10.1080/09692290.2013.824912

PLEASE SCROLL DOWN FOR ARTICLE

Taylor & Francis makes every effort to ensure the accuracy of all the information (the “Content”) contained in the publications on our platform. However, Taylor & Francis, our agents, and our licensors make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors, and are not the views of or endorsed by Taylor & Francis. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Taylor and Francis shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to or arising out of the use of the Content.
Turning point: International money and finance in Chinese IPE

Xin Wang¹ and Gregory Chin²

¹University of International Business and Economics, Beijing, China
²Department of Political Science, York University, Canada

ABSTRACT

Unlike the depth of international political economy (IPE) research on finance and money in North America and Britain/Europe, or the amount of work that has been done inside China on the IPE of international trade, the IPE of global finance and money is still at a nascent stage inside China. The paper examines the evolution of Chinese IPE research on global finance and money and suggests that research in these issue areas appears to be reaching a turning point. The main empirical finding is that this shift in knowledge production has been induced principally by China’s emergence as a financial force and the national developmental concerns this entails, as well as by the onset of the 2008–09 global financial crisis and the rise of the emerging economies’ grouping. The growing Chinese scholarship on the IPE of finance and money is adding analytical depth and broadening Chinese IPE, particularly on the impact of financial globalization on developing and emerging economies. While such research will likely contribute to Chinese policymaking in the future, the scholarly test for Chinese IPE is whether and how it will contribute to filling the global knowledge gaps on the determinants of financial and monetary policy, and whether it will give rise to new understandings on global finance and money, especially the causes of international financial crises. Heretofore, much of the literature has been heavily policy-oriented and normative.

KEYWORDS

Chinese IPE; global finance; China; money; financial diplomacy; monetary power.

INTRODUCTION

The focus of international political economy (IPE) inside China has shifted gradually in the last two decades from international trade to international money and finance. Despite the burgeoning attention on money
and finance, why have we not seen a major substantive contribution from China to the global conversation of IPE in these core issue areas? Or, to put it in another way, why is there yet to be a Chinese ‘Susan Strange’ or ‘Benjamin Cohen’? Is it simply about language barriers or a fixation on national preoccupations? Or is there more to the story? What is needed for Chinese IPE to make innovative empirical or transformational theoretical–conceptual contributions to the global conversation on international money and finance?

This article examines the evolution of IPE study on international money and finance inside China and evaluates the state of its development. The central argument is that during the formative period for Chinese IPE, from the mid-1990s to the mid-2000s, Chinese scholars paid inconsistent, punctuated and arguably insufficient attention to money and finance, and that, despite the escalating focus inside China, these issues remain as nascent areas of study. This underdevelopment is especially noticeable when compared to the depth and breadth of IPE research on global finance and money in North America and Britain/Europe. The current state of knowledge is understandable if one considers that China’s transformation into an influential monetary actor and creditor nation is a recent phenomenon, starting around 2004–05, whereas the country’s status as a leading trading nation and the world’s factory has a longer history.¹

Chinese IPE is nonetheless catching up, and is arguably at a turning point. Of particular interest is the rise of Chinese research on international money and global finance, which is centred on the so-called irrationalities of the existing international monetary and financial systems; examines how and why the emerging economies and developing countries are disadvantaged within the existing structures, and how they have been impacted by the 2008–09 global financial crisis (GFC); and how the emerging economies (especially China) are responding to the systemic inadequacies and, in turn, promoting policy reorientation and institutional reforms at the bilateral, regional and global levels.

Despite these gains, there are some noticeable obstacles to innovation in the study of money and finance in Chinese IPE. First, indigenous advances have been hindered during the first two decades of IPE in China by deficiencies of technical expertise in the study of finance and money as well as by broader constraints that afflict Chinese IPE more widely, such as the small (though growing) size of the scholarly community, the limited breadth of specialist publications to date, the short lifespan of the now existing programmes of IPE study inside China (starting a decade ago), and the high level concentration of the leading expertise in a small number of elite universities in Beijing and Shanghai (see the introductory article for this special issue by Chin et al). Despite the constraints, the study of international money and global finance appears to be reaching
a turning point, where Chinese IPE scholars are starting to move beyond merely learning and mimicking the master works of Western IPE, and they have begun to formulate their own research agendas on international money and finance that are distinct, on the one hand, from the Chinese economists in that they pay more attention to the politics of international currency and global finance and, on the other hand, from their Western counterparts in the attention paid to international cooperation between China and other emerging economies and developing countries. The shift in knowledge production has been caused principally by China’s emergence as a major financial force, the creation of the euro and the need to respond to recurrent international financial crises, starting with the 1997–98 Asian financial crisis and, more recently, the global financial crisis.

Second, Chinese IPE has the potential to contribute to IPE scholarship globally and future policymaking both internationally and in China, especially on the reform of the international monetary and financial systems, to support more even, stable and sustainable world economic growth. By failing to anticipate the GFC (global financial crisis), Chinese IPE scholars mirrored their counterparts in the West—no one predicted the timing, the details or the causes. However, Chinese scholars also missed the important warnings from senior Chinese central bank officials of growing instability in the international monetary and financial systems, warnings that intensified from 2006 onwards (Chin, forthcoming). In the wake of the financial free fall of 2008–09, Chinese IPE has paid more attention to money and finance. However, scholars have done so keeping largely to a follower’s role. In brief, their research agenda has kept to the official policy line of emphasizing the role of market and regulatory failure in the Anglo-American world in causing the global crisis, while ignoring broader considerations such as whether the macro-environment of cheap credit also played a role in fuelling the crisis.

The analysis is structured into three sections. The first section outlines the ebb and flow of the study of international money and finance inside Chinese IPE. The second discusses the obstacles that Chinese IPE specialists of finance and money have had to overcome and how they have done so through interdisciplinary cross-fertilization. The third examines the two key areas of research in Chinese IPE that have emerged in the aftermath of the 2008–09 GFC; the burgeoning analytical contributions that Chinese IPE is making to researching the reform of the international monetary and financial systems, and the motivations and interests of China, major emerging economies and developing countries in promoting systemic reforms.

The analysis concludes with a discussion of the prospects for Chinese IPE and the conditions for Chinese scholars to achieve major breakthroughs in the IPE of money and finance, including recommendations for future research.
1. PUNCTUATED STUDY OF MONEY AND FINANCE

International money and global finance have been at the heart of IPE since the inception of the field in the West in the 1970s (Strange, 1971, 1986; Cohen, 1977, 1986). However, in China, this was not the case. A survey of the key literature shows that international trade, especially world trade and investment integration, occupied the centre of IPE research in China starting in the early 1990s, and this remained the case until just after China’s accession to the World Trade Organization (WTO). In this article, the ‘key’ Chinese IPE literature denotes the five leading academic journals that publish manuscripts by scholars who self-identify as studying ‘IPE’: World Economics and Politics (published by the Chinese Academy of Social Sciences (CASS)), International Economic Review (published by CASS), Comparative Economic and Social Systems (published by the Central Compilation and Translation Bureau of the Chinese Communist Party), International Politics Quarterly (published by the School of International Studies, Peking University) and, interestingly, Studies on Marxism (published by CASS)—plus the formative IPE books, both single-authored and edited.

The attention to international trade was not surprising given the realities of the first decade of IPE in China (1990s), when export-oriented growth became the backbone of China’s development and given the ongoing tensions in the US-China relationship during that period because of the yearly debate in the United States Congress over whether the U.S. would grant China “Most-Favored Nation” (MFN) status or not, the Chinese state dedicated priority and resources to securing Permanent Normal Trade Relations (PNTR) status (signed into law on 10 October 2000 by President Bill Clinton), which put an end to the MFN debates, and also to preparing for China’s WTO entry 11 December 2001). The latter included directing the aid of Western donors to WTO capacity building and modernizing investment arrangements (less foreign assistance was directed to central banking and financial reforms). Academic researchers in legal studies, economics, international relations (IR) and IPE participated in the preparatory work for WTO accession and this, in turn, resulted in numerous books on the global trading regime, and China and the WTO.

A survey of the five leading journals shows, however, that interest in international financial and currency issues was triggered by the 1997–98 Asian financial crisis (AFC) and then the launch of the Eurozone on 1 January 1999. These events resulted in eight articles in 1998 and another eight articles in 1999 within the leading journals (see Table 1). Representative works by Chinese economists Zhang Liqing (1998) and Jiang Boke et al. (1999), during and immediately after the Asian financial crisis, analysed the dangers of speculative cross-border capital flows and premature capital account liberalization. The research gave rise to debate inside Chinese IPE circles on the pros and cons of currency convertibility, the preconditions and reforms needed to deal with non-performing loans in
Table 1 Statistics on IPE-related articles in five journals

<table>
<thead>
<tr>
<th></th>
<th>International trade</th>
<th>FDI</th>
<th>Money/finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>1997</td>
<td>4</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1998</td>
<td>4</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>1999</td>
<td>3</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>2000</td>
<td>1</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2001</td>
<td>5</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>2002</td>
<td>4</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>2003</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2004</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>2005</td>
<td>4</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>2006</td>
<td>5</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2007</td>
<td>5</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>2008</td>
<td>4</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>2009</td>
<td>1</td>
<td>0</td>
<td>15</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>2011</td>
<td>3</td>
<td>0</td>
<td>17</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
<td>0</td>
<td>13</td>
</tr>
</tbody>
</table>

Note: Due to in accessibility of the journal, data on the IPE articles in *International Political Review* was collected from 2000 to 2012 (in August), and the other four journals from 1996 to 2012 (in August).

the banking sector, and the dangers of weak corporate governance in the state banks. Zhu Feng (1998), Jia Baohua (1999), Lin Limin (1999) and Yang Luhui (2001) examined how the regional crisis would give rise to a period of hardship for ‘Asian capitalism’ and lead to increased tensions in the long term as the representatives of European and American capitalism tried to contain the Asian variants. Chinese IPE scholars also predicted that China was moving to the centre of gravity in the Asia-Pacific region and that the region as a whole was shifting toward multipolarity.

The preparations and actual launch of the euro also resulted in one article in 1998 and three articles in 1999 in the CASS journal, *World Economics and Politics*. The articles examined the implications of the rise of the euro on the global currency and geopolitical landscape, and explored how China should respond. Li Shuxun (1998) analysed how the launch of the Eurozone would affect US–European relations and predicted that the euro would become one of the main currencies in the world and, in doing so, would turn the European Union (EU) into a stronger pole in an increasingly multipolar world. In contrast, Sun Ru (1999) suggested that the impact of the euro would be limited in terms of reducing the primacy of the dollar and US unipolarity, and that the determining variable would be how far the Europeans could advance toward region-wide political union and a ‘common foreign and security policy’. Yu Jianhua (1999) suggested that the euro would help elevate the EU’s status, but the euro could not
replace the dollar; equally important for China, the EU and the US would remain close allies. Tang Yong (1999), in contrast, argued that the birth and advance of the euro would generate tensions in US–EU relations and the Americans would take measures to contain the euro, starting with intervening in former Yugoslavia.

The survey of the leading journals also shows that there are two periods when we see a punctuated rise in the number of articles on international money and finance: first, in 1998, at the time of the Asian financial crisis and the launch of the euro, and second, with the onset of the GFC in 2008. Interestingly, after the initial spike in 1998–99, the high tide of interest in finance and money was not sustained, as the number of articles dipped from eight in 1999 to two in 2000, and the numbers remained lower until 2005. Chinese IPE scholars did not follow their Western counterparts in paying more sustained research attention to the impact of the Asian financial crisis (such as Bowles, 2002; Pempel, 2005; Sohn, 2005). Two exceptions were Li Cong’s (2002) writing on the challenges for developing countries of operating within international financial and monetary systems that were created by the developed countries and skewed towards the interests of Northern multinational firms and Ding Yifan’s book (2002), Financial Game on the Balance Beam: From the Debt Crisis to Financial Crisis, which analysed the systemic shortcomings of unfettered financial capital flows as illuminated by the Asian financial crisis. Only with the articles of Li Xiangyang (2006) and then Zhang Yunling (2010) was there a return to Asian regional financial cooperation. Chinese IPE scholars also did not follow the example of Cohen (2003, 2008), Dyson (2006, 2008) or Johnson (2006), whose works gauged the actual outcomes in the euro area, the details of national adaptation to the euro, and the euro as an international currency option, following its initial launch. After the articles in World Economics and Politics in 1998 and 1999, it was not until 2011 that the same journal published another article on the euro and, once again, it was triggered by the onset of the current European debt crisis.

Table 1 shows that 2005 again saw a sharp increase in the number of publications on international money and global finance in the leading Chinese journals and the numbers continued to rise after 2005 (with 2006 being an aberration). From this point onwards, articles on money and finance far exceeded the number of articles on trade and foreign direct investment (FDI) and reached a crescendo in 2009. The numbers remained high through to 2012. The spike from 2005 onwards correlates, first, to the dramatic expansion of China’s foreign exchange reserve holdings after 2003–04 and growing US-China tension over the exchange rate; and, second, to the start of massive injections of international financing into the core of China’s banking sector as a result of a succession of initial public offerings by China’s four main state banks on Hong Kong’s financial markets.
China’s growing exchange rate tensions with the US spurred the new wave of IPE publications on the renminbi (RMB) exchange rate from 2005 onwards. Zhang Yuyan and Zhang Jingchun (2005) published a formative article in the other increasingly influential journal for IPE research, Contemporary Asia Pacific, which analysed the growing US–China exchange rate tensions from an explicitly ‘political economy’ perspective. They focused on how large states use their exchange rate as a tool and manipulate the exchange rate for their national currencies to gain advantages in world trade and politics. They suggested that the US and China both look for ways to maximize their respective national interests when formulating their exchange rate policies—that is, in short, both nations manipulate their currencies. Most Chinese IPE scholars, however, stuck closer to the official line on the exchange rate, as expressed by then central bank vice-governor, Li Ruogu (2007): that the Western countries are using the RMB exchange rate issue to strategic advantage to contain China; that rapid appreciation of the RMB would impair China’s comparative advantage and thus impact its overall national economic development. Peking University IPE scholar Wang Yong’s (2007) book, Sino–US Economic and Trade Relations, did open new terrain by discussing how domestic Chinese interest groups influence exchange rate decisions, and he argued that appreciation could lead to serious shocks to China’s export industry and to rural and urban employment, which, in turn, could affect social stability. He added that the adjustments could result in hot money inflows into the real estate market, where real estate developers would be the ‘winners’. Wang also examined how China effectively neutralized the tension in Sino–US relations caused by Congressional squabbling over the RMB exchange rate through financial diplomacy with the United States. In another pioneering study, Congressional Politics and US Economic and Trade Policies toward China, Sun Zhe and Li Wei (2008) explored why the US Congress keeps pushing RMB appreciation, by analysing how domestic conditions in the US affected exchange rate debates. They concluded that some members of the US Congress are motivated by a desire to appease their electoral districts, specifically interest groups in the manufacturing sectors, who believe that American employment has been affected negatively by China’s economic growth. One new line of IPE research did go beyond the official policy line. Li Cheng, Yao Jieqiang and Wang Chao (2008) used game theory to analyse the exchange rate policies of China and the US. They found that non-economic factors have caused the Sino–US interplay to strike a temporary equilibrium, but one that is ultimately unstable. Such an application of game theory analysis is somewhat rare in Chinese IPE analyses of international currency and finance.

Looking back, 2006 was the year when Chinese IPE started to engage seriously on financial globalization. As early as 1997–98, Yu Keping at the Party’s Central Compilation and Translation Bureau had published...
a seven-book *Globalization Studies Series*, which discussed the concept of globalization, types of globalization (besides economic globalization), China’s path to globalization, the implications of globalization for China, and the advantages and disadvantages of globalization. However, the focus on financial globalization in Chinese IPE really gained steam from 2006 onwards, as the exchange rate debate intensified between the US and China. This research was also preconditioned by the on-going concern about the fragility of China’s financial institutions and the need to restructure the large number of non-performing loans, which led to the initial public offering (IPO) in Hong Kong in October 2005, with China Construction Bank raising $8 billion. Later, in June 2006, Bank of China raised $11.2 billion (the largest IPO since 2000 and the fourth largest in history). In October 2006, there was the Industrial and Commercial Bank of China’s simultaneous IPO listing on the Hong Kong and Shanghai Stock Exchanges, which became the world’s largest IPO at the time, valued at US$21.9 billion (in 2010, Agricultural Bank of China broke the IPO record when it raised $22.1 billion in Hong Kong). These path-altering financial sector developments brought international financial issues to the forefront of IPE research in China and into the centre of the research agendas of leading Chinese economists and policy researchers more broadly.

The financial globalization debate split into two basic camps. The prevailing view at this time (that is, before the GFC) was that China’s integration into financial globalization was largely inevitable and would be a generally positive influence on China’s economic development. For example, Wang Zhile (2006) argued that foreign capital was a catalyst for transforming China’s economic system and for establishing a market-oriented (read modern) society. Su Changhe (2007), a leading Chinese IPE scholar, who returned recently to Fudan University, suggested that China’s international integration meant that foreign capital was exerting an ever greater, though generally positive, impact on China’s domestic transformation; that FDI was generating market-oriented domestic transformations; and that foreign capital flows into China were helping to nurture the country’s ‘benign cooperation’ with the outside world.

However, even before the GFC, some Chinese scholars both in economics and IPE had started to highlight that China’s participation in financial globalization was creating serious concerns for the country’s economic and financial security. The absorption of large foreign capital flows was seen by some as threatening China’s national economic security interests. Han Deqiang (2006) argued that the parties that gained the most in China becoming the ‘world’s factory’ were the advanced countries, the source of the FDI, and that the Chinese nation had entered the ‘most dangerous period’ for its economic security. Zuo Dapei (2006) argued that excessive foreign capital inflow was causing serious damage to China, especially the takeover of state-owned enterprises (SOEs) by foreign capital, and that
limits ought to be imposed on such takeovers. A significant contribution in the Chinese IPE study of global finance was the publication of *Globalization and China’s Development* (2007), a collection edited by Zhang Yuyan. This book was one of the first to focus solely on financial globalization and to explicitly use an IPE framework, discussing a range of issues such as the international financial division of labour, international financial rules and global financial governance. It drew the linkages to national interests and sovereignty, contestations between great powers, and the rise and fall of nations. This edited book expanded the scope of analyses and debate on financial globalization and questioned the benefits in terms of the distribution of global and national public goods.

The peak in publications on finance and money occurred, not surprisingly, from 2008 to 2010, which correlated with the sub-prime mortgage crisis in the US from late 2007 onwards, the financial free fall from Autumn 2008 to Spring 2009 and the spread of the global crisis from mid-2009 onwards. The global financial crisis gave rise to three lines of analyses that corresponded to what Peking University’s Wang Zhengyi described as the ‘three basic approaches’ in Chinese IPE: system-oriented, state-centred and societal-oriented. The bulk of the publications were focused at the system level on variations in the impacts of financial globalization and international monetary pressures on the core financial countries versus those in the periphery of the global financial system. Drawing on the theorists of hegemonic stability in IPE, such as Kindleberger (1973) and Krasner (1976), IPE scholar Zhang Li (2008) analysed how growing international capital flows reduced the effectiveness of domestic financial management and reinforced the relatively disadvantaged positions of the countries in the developing world. In other words, even though China had made significant gains in world manufacturing, it remained peripheral financially and reliant on the traditional financial powers. Others analysed how dramatic changes in international capital flows resulted in financial shocks for developing countries, greatly affected their domestic currency and financial operations, and their financial and monetary security, and how the established international rules constrained the range of policy options for national governments in the developed and developing world (Ding Dou, 2010; Wang Songqi, 2010). The Chinese IPE literature has, in turn, influenced Chinese IR scholarship, as seen, for example, in IR scholar Song Wei’s (2010) discussion of how the US derived ‘huge benefits’ from being the monetary and financial hegemon and how its ‘uni-polar’ position was reinforced during the global crisis.

Two other research streams, largely involving economists rather than IPE scholars, focused on factors at the state and societal levels, specifically how the Chinese state can shape the response to exogenous pressures in the service of protecting and promoting the domestic financial sector and how domestic interest groups are influencing policy outcomes in
international currency and financial affairs. China’s Financial Strategy, from two finance specialists at the Development Research Center of the State Council, Xia Bin and Chen Daofu (2011), offers a state-centred perspective on how Chinese government decision-making and interactions between various government departments affect the development of the financial sector, for example, highlighting the importance of central bank autonomy for internationalizing the RMB. This work also emphasized the importance of stable Sino–US relations for China’s sustained participation in financial globalization. Societal-oriented research (by the political economist Wang Yong, 2007, and the economist Wang Xin, 2011a) examines how interest groups and advocacy groups inside countries, such as financial industry and trade actors, and priority manufacturing sectors, have influenced outcomes in currency policy such as that related to the RMB–dollar exchange rate, capital account convertibility and RMB internationalization.

More recently, the worsening crisis of the Eurozone from 2010 onwards has triggered another wave of IPE articles on the fate of the euro. At a time when Chinese elites are pondering whether and, if so, to what degree China should increase its financial support to the Eurozone, including Greece, Zhao Ke (2011) examined the creation of the euro as a political project, highlighted the Eurozone’s geostrategic importance in providing an alternative to the dollar and suggested that enhancing the unity between European states and strengthening their collective military might help to stabilize the euro’s credibility. Ding Yifan (2012) similarly argues that the birth of the euro was an important contribution in global strategic rebalancing; that China should support the euro; that it should help ensure that the euro and the EU prevail through the current crises; and that it is ‘very important’ for China that the EU play a significant role on the world stage to help to offset American unilateralism. In contrast, Yu Zhiguo and Ye Chuhua (2012) draw more pessimistic conclusions about the European project. They argue that the future of the Eurozone is dim because the Eurozone is imbalanced, Europe is divided and the US is engaged in a ‘financial war’ against Europe. But they suggest that the European debt crisis does provide China with a historically unprecedented opportunity to invest in Europe and, through such investment, to revive the Chinese nation.

Of particular note, the dynamic young Chinese IPE scholar, Li Wei (2012a), who teaches at Renmin University in Beijing, breaks new research ground by traversing beyond the immediate policy question of Chinese government intervention (or abstention) to explore the intellectual puzzle of why and how Germany and Japan have each taken differing approaches to global leadership, despite the German and Japanese economies looking ‘very similar in structure and power’. He examines how the differences in national context determine the different approaches that each state has taken to promoting reforms in the global monetary and financial
systems: that is, regional currency alliance (euro) versus internationalizing a single national currency (yen). The policy recommendation that Li (2012b, 2012c) draws is that China needs to learn from the German experience and strengthen its ability to be a global leader by strengthening its capacity and role in driving regional currency cooperation with its neighbours.

2. CROSS-FERTILIZATION

In a seminal article, Susan Strange (1973) chastised international economists and international relations scholars for not communicating across their disciplinary boundaries. Such has not been the case with the nascent, but growing Chinese IPE on finance and money. Chinese IPE scholars have shown themselves to be quite pragmatic and analytically eclectic in terms of their willingness to draw from international economics. This intellectual openness was, and continues to be, driven by necessity. The reality is that the IPE of finance and money inside China is still at an early stage of development and the leading research has been produced not by political economists (either international or comparative), but by international economists.

The foundational literature on money and finance in Chinese IPE—by scholars who self-identify as studying ‘IPE’—is still in formation and the quality of the published work is rather uneven. To date, much of the scholarship on finance and money has concentrated on transferring and commenting on the Western canon or analysing the international financial problems and the policies of the advanced countries, and using the already established (read Western) IPE theoretical constructs and terminology. In doing so, this literature has contributed mainly to advancing IPE as a specialized area of academic study and research inside China—and to framing analysis in terms of the established IPE theoretical perspectives (the so-called ‘realist’, ‘liberal’ and ‘critical’ theories).

However, the overall quality of the scholarly output to date has been limited by two shortcomings: first, in the consistency and depth of the research attention, and second, in the degree of rigor in applying social scientific methods. IPE research on international finance and money inside China heretofore has been crisis-driven (as seen in the preceding section). Ironically, each crisis scenario also magnifies the consequences of such inconsistent attention to money and finance. The analysis of global finance and international money in Chinese IPE is hindered by methodological shortcomings, specifically the imbalanced attention to description over explanation. The existing Chinese IPE analysis of money and finance tends to be heavily descriptive and there seems to be limited interest in pursuing theoretical and methodological innovation. At the main schools of IPE training in Beijing and Shanghai,
there has been limited interest in positivist modelling and rational choice and game theoretic methods from the scholars working on money and finance.

A primary factor behind the underdevelopment of the IPE of money and finance inside China has been insufficient technical knowledge on international money and finance. Chinese IPE scholars are usually trained in IR and even more narrowly in Strategic Studies (now ‘international security’) or foreign policy analysis. They have generally lacked technical training in international economics, money and finance. This is not surprising given that IPE was introduced in China as a specialized area of study in the early 1990s, mainly by IR scholars in China’s elite universities. Other factors are more general constraints that afflict IPE in China more broadly, which have also inhibited the development of research on international financial and monetary issues inside China. These include a small IPE scholarly community, the short lifespan heretofore of the main IPE programmes in the Chinese academy, the lack of in-depth studies on a broad range of issues, and limited capacities in social scientific and research methodology (Wang Zhengyi, 2006; Song Guoyou, 2011). The aforementioned constraints are complex, interlinked and multi-faceted and it should be noted that they arise not just from limits in academic training or in the community of researchers. Chinese IPE on finance and money has also been constrained by lack of direct access to information about internal decision-making on Chinese financial and currency policy and the strategic and policy considerations that influence China’s participation in international financial and monetary governance. This situational reality disadvantages Chinese IPE researchers in carrying out systematic data collection as well as their ability to conduct interviews with key participant–observers, and thus to do critical case study analysis.

How have Chinese IPE scholars overcome the obstacles to researching the political economy of international money and finance? A survey of the broader relevant literature shows that Chinese IPE scholars have figured out how to draw selectively on the technical expertise of their colleagues in economics, especially on the work of the influential and policy-relevant economists who are located in key policy think-tanks, academia and the financial sector. This broader literature encompasses the aforementioned leading IPE-related journals and the formative books and extends to include other social science journals and leading periodicals that have published works on the politics and political economy of international money and finance such as Caijing, China Reform, China and World Affairs, Comparative Studies, Contemporary International Relations, Economic Perspectives, Fudan International Relations, International Political Studies, International Review, International Trade, Nankai Economic Studies, New Century, Pacific Journal, Research on International Finance, Shanghai Finance, World Affairs and World Economy.
Looking at this broader literature, we can see inter-disciplinary cross-fertilization between IPE and international economics in the intellectual linkages between the economics and IPE scholarship. For example, the IPE research on the RMB–dollar exchange rate by Wang Yong (2007) and Sun Zhe and Li Wei (2008) was influenced by the earlier work of CASS economists He Fan and Li Zhiyuan (2002) on the political economy of exchange rate adjustments and the transformation of exchange rate regimes. After the onset of the GFC, and especially after the statements of central bank governor Zhou Xiaochuan (2009) and other leading central bank and finance officials, such as former deputy governor Zhu Min (2009) on the Triffin Dilemma, IPE scholars started to pay more attention to the problems in the international monetary and global reserve system. Chinese IPE scholars also took note of the arguments of Li Daokui (2008), a professor of economics at Tsinghua University and the academic member of the Monetary Policy Committee affiliated to China’s central bank, who suggested that a root cause of the sub-prime mortgage crisis was that the ‘exorbitant privilege’ of the dollar’s status had allowed the US to borrow excessive amounts of capital to finance its over-consumption and over-investment in the virtual sectors of the economy, and that, even after the global crisis, the US could hold interest rates at ultra-low levels and implement a quantitative easing policy to try to stimulate domestic growth, as US policymakers have tried to either depreciate or inflate their way out of the current downturn.

Chinese IPE scholars also looked to Zhang Ming’s analysis (2009) at the Institute of World Economy and Politics (IWEP) of CASS. Zhang detailed the potential huge losses that could happen in China’s foreign exchange investments, its reserves, given the extreme volatility in the international financial markets, as well as a possible sharp depreciation in the US dollar. They also drew on the writings of other leading CASS economists, such as Gao Haihong and Yu Yongding (2010), who focused on the huge losses that China would suffer in its foreign exchange reserves due to the dollar’s ‘unavoidable depreciation in the long term’, and economist Wang Songqi (2010), who argued that the US had used the dollar’s monopoly position to manipulate world finance and, via its quantitative easing measures, shifted the burden of adjustment for its own crisis onto other countries, which, in turn, could deprive other countries of their wealth.

Influenced by calls from economists on China’s leaders to halt the ‘unconditional’ purchase of US treasury bonds, using more of an IPE perspective, Ding Dou (2010) at the School of International Studies at Peking University focused on the ‘excessive global liquidity’ resulting from the US monetary policy; Ding claimed boldly that the dominant position of the dollar enabled the US to transfer its growing financial problems in the core of the global financial system to the emerging economies in the periphery, and that the beggar-thy-neighbour monetary policies of the US
were the cause of the global turbulence. Other Chinese IPE scholars, such as Xu Jianwei and Yao Yang (2010), emphasized that developing countries cannot use their national currencies for international transactions and thus have to bear the exchange rate risks in the dollar order. As such, developing countries remain stuck in an unfavourable position in the international financial and monetary order. Xu and Yao (2010) examine how the international division of labour within financial globalization has fuelled the current global imbalances.

Xu and Yao (2010) built on the preceding research of economists, including Zhang Li’s (2008) work on the effects of financial globalization on China, but they emphasized how the leading financial powers, specifically the US and Britain had attracted large amounts of foreign capital and ran sizable current account deficits, while countries such as Germany and China, whose comparative advantages resided in manufacturing, have had to continue to import financial services even though they have run current account surpluses. In keeping with the official line, Xu and Yao (2011) suggested that the US was pivotal in causing the massive global macro imbalances due to its privileged position in the international order. More recently, Wang Yong (2012) has published an English-language article that draws across disciplines to examine the writings of ‘mainstream Chinese experts and scholars who influence’ the shaping of China’s foreign economic policy, and he shows that the economists and IPE scholars who have influenced the official Chinese response on global economic rebalancing share the view that correcting the existing global economic imbalances requires addressing the causal interconnections between ‘two forms of global imbalances’: current account imbalances and international currency power imbalances. They do not support one-off adjustments of the exchange rate (such as, the ‘Plaza Accord II’ idea).

In drawing across disciplinary boundaries, Chinese IPE scholars have been aided by the fact that a number of China’s leading international economists, such as those at CASS IWEP, including Yu Yongding, He Fan and Zhang Ming, or at the Development Research Center of the State Council (the DRC), such as Xia Bin, director of the Financial Research Institute, Ba Shusong and Ding Yifan, or at the foreign policy think-tank, China Institutes for Contemporary International Relations, such as Chen Fengying, have made it a practice to integrate what could be described as IPE considerations into their research on international financial and monetary issues. These researchers work mainly in research institutes and think-tanks that are affiliated directly to the Chinese government, rather than in academia. CASS IWEP, in particular, is one of the strongholds of research on the intersection of international economics and international politics. It also has the most autonomy of the establishment think-tanks, that is, State Council-funded, to define its own research agenda (it can purportedly determine 50 per cent of its research agenda). Such researchers, conducting applied
policy research, have more regular access to official policy discussions and tend to have a stronger grasp of the political realities and state priorities than pure academics. Chinese IPE received a boost from the think-tank ranks when Zhang Yuyan, as the new director-general of the Institute of World Economics and Politics (IWE) of CASS, decided to establish an IPE division inside IWE. The new unit came into being in late 2010 (Song Guoyou, 2011) and Zhang Yuyan assigned a number of aspiring IPE researchers to the new unit; some of them, including deputy director Feng Wenjiang, had obtained their graduate degrees in economics, while others were trained by Zhang in ‘IPE’ in CASS’ own graduate school.16

Looking more deeply at the context of knowledge creation in China, it becomes apparent that Chinese IPE specialists on money and finance have benefitted from a national characteristic which is specific to China, but which has yet to be acknowledged in academic writing: that the knowledge created by the aforementioned Chinese economists is conducive to co-option by IPE scholars because many of China’s leading international economists bear the legacies of training in (Marxian) political economy inside China’s economics departments, after 1949. One perceptive Chinese IPE scholar put it this way: ‘In many respects, China’s leading international economists are all actually doing variations of IPE or political economy—which in China means Marxian political economy. But because of academic and policy fashion, they prefer not to acknowledge this, as it carries the stigma of doing Marxism, and they will be labeled as old-fashioned.’17 A number of Chinese IPE scholars told the author that the aforementioned Zhang Yuyan, director-general of the CASS IWE, is thus the exception rather than the norm in that he is one of the few leading Chinese scholars who heads a prominent Chinese economic policy research institution and self-identifies, unabashedly, as an ‘IPE’ scholar.18

3. BURGEONING CONTRIBUTIONS

China’s rising international monetary and financial influence and the new problems that it faces—a global financial system that is wracked by recurrent crises and an unstable international monetary system—more than debates over method, are giving rise to an empirically innovative Chinese IPE research agenda as well as some interesting mid-range theoretical–conceptual rethinking (Pang and Wang’s article in this special issue offers a more sceptical assessment of the contributions of Chinese IPE). The GFC drove Chinese IPE scholars to focus their research on four themes in particular: (1) the shortcomings of the existing international monetary system and currency internationalization; (2) the source of global financial instability; (3) variations in the impact of the global financial and monetary systems on different countries; and (4) the rise of new forums for economic decision-making and international
governance, such as the Group of 20 (G20), the Financial Stability Board and the Brazil–Russia–India–China–South Africa (BRICS) grouping. We outline the details below.

### 3.1. Reforming the international monetary system

Building on the pivotal research of those who examined the vulnerabilities inherent in China’s massive foreign currency holdings, such as Wang Xin’s (2007) analysis of whether China’s large foreign exchange holdings confer strength or weakness, Chinese IPE scholars have begun to focus on the shortcomings of an international monetary system (IMS) that continues to be centred on the dollar, the variation in consequences for the US versus developing countries, and how best to reform the existing IMS. Zhang Yuyan and Zhang Jingchun (2008a) examined the geopolitical implications of currencies that are issued by national institutions. They suggest that, in the era of globalization, the monetary power of sovereign states is not decreasing, but rather increasing, and will not easily be replaced by transnational market forces. They warn that reserve currency issuing countries tend to dominate the pricing of commodities in international markets, exert strong influence over the economies of other countries, and that if a country is too reliant on another country’s currency, then its political independence is jeopardized.

A point of consensus in Chinese IPE is that China, and other emerging and developing countries, are relying too much on US financial markets and dollar denominated assets. Whereas IPE research by Wang Yong (2007) before the global crisis concurred with Lawrence Summers that China and the US had formed a financial ‘balance of terror’ and suggested that China could use its foreign exchange reserves to manage US exchange rate pressure, after the GFC, the Chinese research agenda shifted decisively to how China’s massive holdings of dollar assets are a destabilizing factor in Sino–US relations and hold more risk for China than the US (Song Guoyou, 2010a, 2010b). As seen in other dimensions of Chinese IPE research, this shift in the scholarly research agenda on international money was preconditioned by key policy statements from senior Chinese authorities. Central bank governor Zhou Xiaochuan (2009) and current chair and president of China Eximbank Li Ruogu (2009) (a former central bank deputy governor) have both suggested, amid the global crisis, that the world should move toward ‘a [more diverse] basket of currencies’, rather than rely only on a dollar dominated monetary system, and also seek to reform the governance structure of the International Monetary Fund (IMF) especially to strengthen its surveillance of major reserve issuing countries.

After Chinese central bank officials endorsed the expanded use of the IMF’s ‘special drawing rights’ (‘SDR’), some creative Chinese researchers began to examine the potential for this multilateral reserve option (as
discussed in Chin and Wang, 2010). In pushing the envelope of innovation, Zhang Ming of CASS, for example, outlined four means for expanding the use of SDRs (2009). IPE scholars jumped into the opening created by the official statements, with Wang Ying and Guan Qingyou (2009) exploring the potential for establishing a new international monetary system based on currency standards similar to the carbon emissions (permission) standards.

Although Chinese researchers (Wang Xin, 2011b) have soberly assessed that it is unlikely that China and the other BRICS countries will undersell their dollar assets (due to the close US–China currency interdependency as well as political and diplomatic considerations), at the same time, their main policy recommendation is that China should cooperate with other key economies such as the EU, Japan and the members of the Organization of the Petroleum Exporting Countries (OPEC) to lessen the hegemonic position of the dollar and coordinate within the BRICS, to build on the crisis containment efforts that have emerged from the GFC. Many Chinese IPE specialists on money and finance now see it as inevitable that China must take a more active role in pushing for reforms of the IMS; that China can no longer maintain the position of simply propping up the status quo by re-funnelling its earnings into US treasuries (US government debt) or financial markets. Ge Huayong (2010) examines how to include the RMB within the SDR currency basket and ways to expand the SDR’s role in the global economy. While Chinese officials have been careful to state that their intention in expanding the role of the SDR is not to challenge the supremacy of the dollar, and that they want to ‘coexist with US dollar in a harmonious way’ to ‘maintain the stability of international monetary system’, IPE scholars analyse how the inclusion of the RMB in the SDR currency basket is beneficial for China by way of expanding the RMB’s global profile and influence as well as by promoting on-going domestic reforms, including capital account opening.

Having achieved only modest success in promoting the SDR, (Chin, forthcoming, 2014), and given the deep tradition of focusing on hegemonic power in Chinese IPE (see Wang and Pauly in this special issue), it is not surprising that Chinese economists and IPE scholars have come to see that the most practical way to push for global reserve diversification and the disciplinary effects of currency competition is for China to pursue the increased international use of the RMB (or ‘RMB internationalization’). What has received inadequate attention, however, from Chinese IPE scholars are the political-economic preconditions for the internationalization of the RMB. This may continue to reflect the limits of technical understanding, in this case, on the regulatory and institutional mechanics of currency internationalization. It may also reflect a willingness on the part of Chinese scholars to base their analysis on their emotive confidence in China’s rise as an economic power or their normative desire to see accelerated
economic reform and opening. Whereas economists such as He Fan (2009) of CASS warn that in the early stages of currency internationalization, the risks outweigh the benefits (which go mainly to the private sector, while the costs are assumed by government agencies) and that more caution and cost-benefit analysis are needed, and Gao Haihong and Yu Yongding (2010) offer cautionary reminders about currency internationalization is mainly being about market forces, one almost senses that currency internationalization is a motivational myth for IPE scholars. For example, Huang Haizhou suggests that RMB internationalization is a ‘commitment stronger than any other policies that can promote a series of important yet highly difficult reforms to happen’ (2009). A more grounded contribution from Chinese IPE scholars is the reminder that RMB internationalization inevitably challenges the interests of the US and will elicit resistance and that it may be politically expedient to return to regional currency cooperation in the wake of the GFC in order to regionalize the RMB as a first step (Li Wei, 2011).

3.2. Reshaping global finance

Even though the mainstream view inside Chinese policy circles is that China’s participation in financial globalization is the reality and that gradual financial liberalization and integration are helpful in introducing more competition into China’s domestic financial sector and strengthening the foundations of the national economy (Xia Bin and Chen Daofu, 2011), the backdrop of frequent and recurrent international financial crises have led Chinese economists and IPE scholars to study the causes, spread and impacts of financial crises and measures for preventing contagion at the system level.

IPE scholars have recently turned their attention to how financial crises spread to other countries through the channels of trade and capital flows, and especially the causal dynamics between American hegemony and financial crises elsewhere. Ye Zicheng (2009), for example, contends that the GFC was essentially a symptom of an excessive overdraft of the American financial hegemony. However, there is lack of consensus on the implications. On one side are those who suggest that the global crisis has impaired the influence of the American model (Ye Zicheng, 2009), that the 2008–09 global crisis represents the fall of American financial hegemony (Zhang Shipeng, 2009), or, as a prominent senior Chinese Marxian political economist in CASS argued, that the financial crisis represents a failure of the neo-liberalism of the Western countries, and that the time is ripe to reform the global economic system and that the United Nations should play a leading role in establishing a new world order characterized by greater democratic governance of international economy and politics rather than the G7/G20 IMF-World Bank (Cheng Enfu, 2009). On the other
side are those, including IR scholars (Song Wei, 2010), who suggest that the international financial and political landscape has not changed that much despite the global crisis, that American hegemony has only been affected to a limited extent, and that in the long run, if the US can maintain its commitment to free market economy principles and avoid excessive economic expansion, then its financial hegemony can be preserved and even strengthened. Both sides agree that the world economy has entered into a volatile and high risk phase in the aftermath of the 2008–09 crisis.

Chinese IPE scholars realize it is no longer sufficient to simply research how to react to changes in global finance and that they need to forge a more proactive research agenda on how China and other rising states ought to reshape the system. The analysis covers the range of rather Sino-centric and cautious arguments, such as Shao Feng (2008), who suggests that it is premature for China to assume leadership of the global financial system, but that China should increase its outward financial flows and investments and play a more active role in global financial coordination, and Yao Zhizhong (2010), who examines how China’s outward capital investments can be expanded as part of its overall economic rise and proposes that such outward investment will be favourable to promoting the adjustment of China’s industrial structure, reduce appreciation pressure on the RMB and help mitigate the excessive concentration of China’s foreign reserves in dollar assets. Guo Shuqing (2009) and Ding Yifan (2009) add that China is making significant contributions to global economic recovery through its outward investment, and Ding (2009) argues that there is no base for ‘some foreigners to criticize China for plundering resources by investing in developing countries’. He asserts that such criticism amounts to judging China’s contributions to the international community from the perspective of US national interests.

The most innovative research has expanded the scope of analysis to the prospects for the emerging economies, including China, to reform global financial governance. Since the onset of the global crisis, a number of high profile Chinese economists have suggested that China should participate more actively in international financial rule-making. For example, Li Daokui (2009), professor of economics at Tsinghua University and recently a member of the Monetary Policy Committee affiliated to China’s central bank, has suggested that China should become actively involved in the negotiations to rebuild the international financial system, specifically the Financial Stability Board and Basel Committee discussions, and use more of its foreign exchange reserves to bolster its support to the IMF and provide more international financial aid to help developing countries. Li envisioned that these moves would help raise China’s influence in international financial governance. Zhang Yunling (2010), a senior CASS scholar on Asian regional relations, warns that as China’s clout increases, if Beijing does not get more involved in international governance, then...
other East Asian countries will look to re-strengthen their ties with the US, partly to try to mitigate their losses from China’s rise and partly to contain China. Yu Yongding (2011), also a former member of the Monetary Policy Committee, has urged China to assume ‘proper responsibility’ in international economic affairs, including how China can support the indicative guideline initiative on current account balances within the G20’s ‘Mutual Assessment Process’—even though it was proposed by the US. Yu believes that China should do so for the dual reasons of self-help and international goodwill and that China, should, at the same time, hold the European countries and the US to account and urge them to be more responsible, including to their creditors. Along a more transformative vein, Zhang Jianxin, who teaches IPE at Fudan University and focused previously on US trade policy and energy, was moved by the global financial crisis to write an article (2008) in the Chinese newspaper, Dongfang ribao (Eastern Daily), titled, ‘What Kind of International Financial System We Need’, and has followed this up with a piece in World Economy and Politics (2012), which charts the transformation towards a ‘post-Western International System’ amid the ‘rise of the East’. The theoretical and empirical elements of Zhang’s line of analysis have drawn the attention of scholars in Greater China (Hong Kong).

Leading officials and researchers inside China’s monetary policy circles have, however, cautioned about avoiding the ‘China hype’ and they highlight the need for more ‘objective and realistic’ research on China’s actual financial capacities and that of the other emerging countries. Wang Xin (2007, 2011b), for example, has analysed how China is actually a country that gained net external assets at a stage when its national income per capita was still very low and, as a result, China has mainly exported capital via the investment of its foreign exchange reserves. Wang further shows how China’s net external asset status and large-scale capital exports actually reflect the challenges of China’s underdeveloped domestic financial markets and distorted resource allocation, and actually embody weakness and vulnerability, rather than strength. According to Wang, these structural constraints provide one explanation for why China’s real voice in international rule-making and agenda-setting is still relatively underdeveloped, even though its quota and voting rights in international financial organizations have been increasing gradually.

IPE scholars picked up the signals from China’s monetary and financial policy elites in shaping their research agendas. The former central bank deputy governor and current chairman and president of the influential China Eximbank, Li Ruogu (2010), writes that given the considerable political barriers China faces in investing in the advanced economies, it should focus instead on expanding its external investment and channel bank credits to developing countries, especially in sectors that are key to China, such as natural resources and energy. According to Li, this will help
REVIEW OF INTERNATIONAL POLITICAL ECONOMY

China to not only relocate excess manufacturing capacity, but also to ‘win understanding and support from the relevant countries on issues such as environmental sustainability and human rights’ and this would also help break the ‘encirclement’ of the advance economies. With more moderation, Yi Gang (2008), current PBOC deputy governor (and adjunct professor at Peking University), reassures American observers by suggesting that the primary logic behind China’s financial opening and outward financial expansion is ‘simply’ to facilitate China’s financial sector reforms—it is not about expansive hegemonic ambitions.

Aware of the geopolitical sensitivities entailed in China’s financial rise, Li Wei suggests that we can expect that the economic diplomacy and motivations behind outward Chinese investment will be a key area of research for Chinese IPE in the future.22 Wang Yong, a leading force in Chinese IPE for two decades now, notes that Chinese IPE scholars are paying a lot of attention to examining the core negotiations of the US–China Strategic and Economic Dialogue (S&ED).23 Peking University’s School of International Studies is said to have numerous lines of Track Two cooperation with US institutions. The comparative political economist, Fu Jun (2009), who is also executive dean of the School of Government at Peking University, has analysed how financial regulations and international coordination among states lagged far behind international capital flows, and he suggests that the recent financial crisis exposed the serious flaws of a global financial coordination scenario that is too reliant on the US financial sector and American leadership. Fu suggests that more research is needed in the future on how, in the wake of the global crisis, the key countries are making some efforts to improve their macroeconomic coordination and have collaborated to strengthen financial stability, but he also says that more robust financial regulation is still needed as is striving for greater international balance in the management of the system. Meanwhile, Ba Shusong, Li Ke and Shen Lancheng of the DRC (2010) are researching the creation of new international regulations for sovereign wealth funds. Their research illustrates that national political motivations are almost always behind sovereign wealth funds and they argue that the international community needs to face up to this reality. Ba, Li and Shen suggest that the key states should work on formulating shared regulations for this segment of global finance, and they are researching the types of international political–economic norms, rules and standards that are needed to provide transparency and anti-protectionism in this growing subsector of international finance.

CONCLUSION

This article has surveyed the state of IPE studies on global finance and money inside China, analysed the obstacles that specialists of money
and finance inside Chinese IPE have had to overcome and gauged the main contributions and limitations of the field. The basic finding is that the IPE of international money and finance in China is still at an early stage of development, especially when compared to North America and Britain/Europe. While there is no lack of literature that criticizes the impact of financial globalization and the dollar order—especially American hegemony—on developing countries, IPE in China has only recently returned to the causes and consequences of international financial crises, after a hiatus following the 1997–98 Asian financial crisis. Heretofore, Chinese IPE scholars have tended to stick to the established ‘critical’ practice (realist and Marxian) of focusing on the contradictions, power asymmetries and ‘unfairness’ in the global monetary and financial systems and, in turn, to highlighting the negative impacts on China (and other developing countries) and calling for systemic reforms in the global financial and monetary systems.

To date, Chinese IPE scholars have generally stayed within the confines of the official policy line, for example, in sidestepping the ‘strange complementarity’ between political developments in the US and those within the major creditor countries that encouraged large sums of capital to flow from the latter to the former during the years leading to the global crisis (Schwartz, 2009; Thompson, 2010; Helleiner, 2011: 82). Regarding the study of global financial flows, Chinese IPE scholars have a ways to go to catch up in researching market and regulatory failure, as compared to the less orthodox Western IPE research that was produced in the decade leading up to the global crisis (Helleiner, 2011). Regarding state-societal mediation, it is to be seen whether Chinese IPE will generate more penetrating comparative research on how different countries experience crises in quite different ways because of nationally-distinct regulatory regimes, different national political responses to capital inflows and unique patterns of integration into the global economy.

The analysis above suggests that for Chinese IPE to make more profound or prescient scholarly contributions in the study of global finance and international money, scholars will need to go beyond the official policy line, to step beyond the immediate and urgent preoccupations of state officials and to broaden their research horizons, aiming for empirical innovation as well as theoretical–conceptual breakthroughs. Such path-breaking research entails reorienting toward ‘the big questions’ of the changing nature of international power and key agency in driving global shifts in the realms of international money and finance. It would also entail making empirical breakthroughs on China’s role and that of the other rising states in driving global change and their motivations for doing so. For policy relevance, Chinese IPE scholars will need to strengthen their competence in the technical aspects of money and finance and elevate their professional skills in modelling, cost-benefit analysis and critical evaluation of policy results.
There are reasons to believe that Chinese IPE holds strong potential to contribute to the field globally, especially in the study of money and finance, and the global governance of these issue areas. First, China is a big country and offers a multiplicity of experiences, problems and case studies, some of which differ significantly from Anglo–American norms, while the overall trend is toward market integration and market-oriented regulatory reform (Zhu Tianbiao, 2003; Chin, 2010). China’s experience of gradual securitization, of managing the dangers associated with securitization, creating new credit rating agencies, its more conservative approach to derivatives and hedge funds and its more ‘market-managed’ forms of regulation all exhibit marked differences from the ideational and institutional norms of the US and Britain and are particularly fruitful areas of research for ‘bridging’ with IPE, globally, for the future. The Chinese state remains a dominant director of resources and of the country’s development path. As the piece by Zhu and Pearson in this special issue highlights, much is to be gained if Chinese IPE were to bridge more with comparative political economy and pay more sustained and systematic attention to the role of the state in China and other national cases of state-directed development (Kohli, 2004). Such research would help to highlight variations in national interests and state mediation in the determination of resource allocation (Qian Yingyi, 2011). More attention should also be paid to local sector interests and the interaction between the central and local governments and how they shape China’s international financial and currency policies. In this sense, a comparatively aware mode of Chinese IPE would help unveil important insights into the unique domestic motivations behind China’s efforts to reshape the global economy, the domestic obstacles to socialization with global norms and, conversely, the source of Chinese ambitions to reshape global norms.

Second, China’s financial rise is catapulting the country to the forefront of global finance and the international monetary order (Chin and Helleiner, 2008; Chin, forthcoming). The emerging reality is creating the need for Chinese IPE to pay more attention to and pump more resources into finance and money. A decade after China’s elite universities established their IPE courses or programmes, we are seeing another wave of IPE-related institution building and, this time, it is being catalysed by the problems of global finance and the money system that have been highlighted by the GFC. For example, spurred on by the global crisis, the growing pressure on China to step up and play a greater role in global governance and the legacies of Shanghai hosting the World Expo, the Shanghai International Studies University (Shanghai waoguoyu daxue or SISU) created the first G20 Research Institute in the Chinese academy under the newly arrived SISU vice-president, Yang Li, a specialist in international finance, and the two deputies, Professors Zhu Jiejin and Wang Duanyong, from the School of International and Diplomatic Affairs (SIDA), are scholars of IPE and global
governance, Chinese investment in Africa and elsewhere, and intra-BRICS relations. At Fudan University, Song Guoyou has produced new research on the great power relations within global currency and financial arrangements. Also in the Shanghai financial hub are a team of researchers at the Shanghai Academy of Social Sciences, who, since 2008, have been focusing on Asian financial integration, and the municipal foreign policy think-tank, Shanghai Institutes of International Studies, which has been revitalized as a locus of policy dialogue on world economic structural change and global summitry, by the research of IPE scholars Zhang Haibing and Zha Xiaogang.

The preceding analysis has suggested that it is not surprising that China has yet to produce a Susan Strange or Benjamin Cohen. One Chinese IPE scholar suggested to the authors that Zhang Yuyan is the closest candidate, heretofore, due to Zhang’s efforts to initiate the annual IPE forum, and his ‘enthusiasm’ for monetary politics. In retrospect, when Susan Strange wrote her seminal works on the IPE of finance, Britain was already a former financial hegemon, long removed from its imperial highpoint. British IPE scholars, or students of IPE who have done their training in Britain or on British finance, have had a rich and long experiential base to draw on when researching the history of international finance and money. Their bases of comparison stretch back to the rise and fall of the Portuguese and Spanish empires, the Italian city states, Pax Amsterdam, Pax Britannica and the rival European imperialisms (for example, Thompson, 2007). Similarly, scholars of political economy in the US have the locational advantage of theorizing within the realm of the current financial and monetary hegemon. And IPE specialists of European and Japanese finance and money have been able to focus on the financial rise of Germany and Japan dating four decades now. In this sense, China’s financial rise is at an early stage and the IPE of finance and money in China has had a very recent history, it has been in catch-up mode, and is now potentially at a turning point.

Chinese IPE has an unparalleled opportunity in the next stage to break new conceptual and empirical ground on the regulatory and institutional innovations related to currency internationalization and, by extension, the reform of the international monetary system. Chinese IPE scholars have an opportunity to build, once again, on the work of leading Chinese economists and finance specialists who have been examining Hong Kong’s special role as an offshore hub for RMB internationalization as well as the risks entailed in internationalizing the RMB and measures for managing the risks (Cao Yuanzheng, 2009; Li Xiaojia, 2010; Wang Xin, 2010). IPE scholars, such as Li Xiao (2011b), are already researching the lessons that China can draw from the Japanese experience of yen internationalization, specifically the regulatory challenges in managing the intersection of domestic and foreign markets as yen offshore transactions grow. Zhang Yuyan (2010) has started to research whether RMB internationalization
confers geostrategic advantages in addition to those for US–China relations, for example within the Asian region, and whether Chinese authorities need to prepare for managing currency competition between China’s RMB and Japan’s yen, within the region and beyond. Chen Ping at Dalian University is opening new avenues of research on the politics of money-related emerging powers. Li Wei continues to push the bounds of research on the political foundations of monetary competition (2011), particularly on the emerging efforts from Germany, Japan and China to balance against the dollar (book manuscript in process). Wang Yong has started to research the rise of the BRICS countries as international financial actors and has developed new research partnerships with his counterparts in South America, the Caribbean, South Africa and the Gulf states. Zhang Jianxin is editing a forthcoming special issue of *Fudan Review of International Relations* (2013) on the IPE of changing great power relations and international systemic reform, which will include Chinese-language pieces on international currency and finance.

In summary, due to China’s global rise as a financial and monetary actor, IPE in China is well positioned to offer new contributions to the global study of IPE. We see the emerging contours of a new research agenda among IPE scholars of money and finance in China. However, more substantive gains can only be made if IPE scholars can make use of the intellectual opening that has been created by China’s monetary and financial policy elites to actually go beyond the official policy line and their usual contribution of critiquing the ‘unfairness’ of the existing international systems. The global conversation would be enhanced if Chinese IPE scholars can delve more deeply, for example, into the underlying causes of global imbalances and global-scale financial crises as well as undertake penetrating and detailed comparative analyses of the nature and sources of variations in national regulatory arrangements—in short, more detailed and penetrating comparative political economy analyses of China. In doing so, there is ample opportunity for Chinese IPE to better incorporate technical considerations of money and finance and more sophisticated modelling into their assessments of the evolving nature of politics and power relations in the international monetary system and global finance and, when needed, to generate more persuasive policy advice for Chinese decision-makers, and for global policy.

**ACKNOWLEDGEMENTS**

We thank Mark Blyth, Paul Bowles, Ding Yifan, Eric Helleiner, Li Wei, Margaret Pearson and Wang Yong for their suggestions on this paper, and Qi Fan, Yuan Ting, Karl Yan, Cui Ying and Cheng Yong for their research assistance. We thank the Social Sciences and Humanities Council of Canada for supporting the research. We thank the journal’s three anonymous reviewers for their valuable feedback.
reviewers and the RIPE editors for their helpful comments and criticism. The authors take full responsibility for any errors of interpretation.

NOTES

1 Wang Xin (2007); G. Chin and E. Helleiner (2008).
2 For discussion of this oversight, see Cohen (2009) and Helleiner (2011).
3 The initial review of the ‘key’ and ‘broader’ literatures was conducted by Wang Xin and assisted by Qi Fan, Cui Ying, Cheng Yong and Yuan Ting. The overall survey focuses on materials going back 15 years.
4 This list of the leading Chinese IPE-related journals is the result of consultations with leading Chinese IPE scholars, including Su Changhe and Wang Yong, and foreign specialists on the IPE of China.
5 For example, from 1997 to 2002, the Canadian International Development Agency (CIDA) was directed by China’s Ministry of Foreign Trade and Economic Cooperation (today’s Ministry of Commerce) to establish eight policy options and public sector reform projects with Chinese government and research institutions on trade policy and administrative capacity building, including a $6.75 million project on WTO Implementation Capacity Building. During the same period, CIDA was directed to only two projects on financial reform with China’s Ministry of Finance and no stand-alone projects with the People’s Bank of China. Gregory Chin was responsible for CIDA’s main policy engagement projects with the People’s Republic of China (PRC) from 2001 to 2006.
6 We acknowledge that it is possible that the editors of the journals may have influenced the trends in terms of the sector focus of the articles that were published, either due to their own editorial priorities, or those of higher authorities. This would be a key issue for future research. Access to some of the journal editors proved, at times, to be a challenge, and the authors have chosen not to offer a ‘definitive’ statement on the editorial process for the leading Chinese IPE-related journals at this stage.
7 Ding Yifan is the deputy director of the Institute of World Development at the Development Research Centre of the State Council. Interestingly, Ding Yifan did his doctoral degree in France, at Universite de Bordeaux, a rarity among Chinese IPE scholars who have been trained abroad, as most go to the US or Britain. Ding is also known as one of the more eclectic and historically and comparatively grounded IPE scholars in China.
8 Wang Yong is the director of the Center for International Political Economy at Peking University.
9 Yu Keping was also the editor of a Globalization Translation Series, under which the Central Compilation and Translation Bureau of the Chinese Communist Party published more than 30 books on the theme of globalization.
10 Su Changhe put the School of International and Diplomatic Affairs at Shanghai International Studies University on a solid IPE footing as dean during 2006–11. He returned to Fudan University in 2011 as professor in the School of International and Public Affairs (SIPA). Fudan University is one of the key institutional centres for IPE, which also includes IPE scholars Fan Yongming, Zhang Jianxin and Song Guoyou and the former dean of SIPA, Chen Zhimin, among its faculty.
11 Wang Zhengyi of Peking University’s School of International Studies and formerly of Nankai University in Tianjin has long researched and published using a historical world-systems mode of analysis.

1269
IPE courses were introduced for students majoring in international relations and international politics first at Renmin University in the mid-1990s and then at Peking University and Fudan University in the late 1990s. The Center for International Political Economy at Peking University was established in 2001. In late 2002, IPE became a major in the undergraduate IR programme at Peking University.

Zhou understands the Triffin Dilemma as the contradiction between the role of the US dollar as a sovereign currency and the main medium of international exchange and investment, and the need for a more robust supplemental multilateral reserve asset option (See Chin and Wang, 2010).

Zhang Ming (2007) was also one of the few economists inside China who wrote before the global financial crisis that the worsening global imbalances were unsustainable and would, sooner or later, lead to destructive adjustments in the international financial markets. However, unlike many IPE scholars, Zhang urged all concerned parties on both sides of the imbalances (that is, the US and China/Germany) to take proactive measures to adjust their domestic policies and implement coordinated burden-sharing adjustments.

Ding Dou’s doctoral training was in economics and he came to IPE when he became a professor at the School of International Studies at Peking University.

Author’s discussions with researchers of CASS IWEP’s IPE Division, Beijing, Toronto, 2010, 2011.

We thank Li Wei for this observation.

In contrast to the innovators, Huang Yiping (2009), a researcher at the China Center for Economic Research at Peking University, consistently played the role of sceptic and focused on the obstacles to the SDR. He emphasized that a global central bank must accompany a super-national currency and was doubtful whether national authorities would ever delegate the powers to supra-national authorities to allow for the multilateral option to expand.

Zhang Yunling, a senior CASS scholar on China–ASEAN relations, has long argued for China to play a greater role in regional cooperation in East Asia and, amid the global financial crisis, Huang Ping, director-general for CASS’ America Studies Institute, and Chinese IPE scholars, including Wang Yong, explored the potential role for regional arrangements. Zhang Yuyan and Zhang Jingchun (2008b), similarly, criticized the ‘mechanical functionalist thinking’ of simply strengthening the existing global institutions and suggested that China should pursue Asian monetary cooperation, partly because China was not ‘fully ready’ to pursue ‘outright’ RMB internationalization, and partly because regional monetary cooperation serves the ‘common interest of Asia’ and thus provides ‘meaning’ for collective action, and for practical purposes.

Huang Ming (2009), for instance, has written that talk of a ‘currency war’ is a ‘conspiracy theory’, ‘totally rubbish’, but warned that China must not integrate prematurely, must control the risks and must ensure ‘orderly financial opening’.

Authors’ interview with Li Wei, Beijing, July 2011.

Authors’ interview with Wang Yong, Beijing, July 2011.

REFERENCES


Li, Daokui (2008) ‘What Financial Risks are We Facing Now?’, *Comparative Studies (Bi jiao)*, Issue 34.

1272


