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IS THERE A BEIJING CONSENSUS ON INTERNATIONAL MACROECONOMIC POLICY?

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Abstract

Some commentators have claimed that there is a growing Beijing Consensus among emerging and developing economies concerning the merits of China's economic policies. Within an analytical framework provided by the well known international trilemma, this paper investigates the empirical evidence concerning this claim with specific reference to the adoption of international macroeconomic policies. We document China's high degree of exchange rate stability and monetary independence and low degree of financial openness. We then find that there are substantial differences between what China does and what is done in other emerging and developing economies. While we discover some regional and inter-temporal variations, there seems to be little or no support for the existence of a Beijing Consensus on international macroeconomic policy. The proximity of China's policies to those in the rest of the developing world may increase in the future; but this is may reflect changes in China rather than elsewhere.

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1   Introduction

In his 2004 paper, Joshua Cooper Ramo suggested that there was a 'Beijing Consensus' throughout the developing world. He argued that the consensus was forming around certain basic guidelines for encouraging economic development modeled on experience in China (Ramo, 2004). However, although the term has been fairly widely used, it has remained ill-defined. Certainly it lacks the greater precision that was used by John Williamson when he introduced the concept of the Washington Consensus. Indeed, Williamson has commented that the Beijing Consensus is in essence simply a perception by those outside China of 'what China does' (Williamson, 2010).

With such imprecision it is difficult to reach any rigorous and meaningful evaluation of whether there is or is not a consensus amongst developing economies about an appropriate development strategy based on the path adopted by China. To test the validity of the implementation of a Beijing Consensus in these terms would require a detailed and specific definition of China's economic policies as well as its political regime, the identification of metrics by which these characteristics can be objectively measured, the collection of data across the developing world relating to these metrics, and the selection of a methodology that captures the proximity of other countries' policies to those adopted in China. We do not undertake such a mammoth exercise in this paper. Instead our ambitions are more limited and modest.

Our focus is on the combination of international macroeconomic policies adopted by emerging and developing countries. Our analytical framework is provided by the well known trilemma or impossible triad, that argues that countries cannot simultaneously have pegged exchange rates, monetary independence and free capital mobility.[1] The trilemma forces countries to adopt a combination of these characteristics that is consistent with the constraints it imposes. They will emerge with an outcome which lies somewhere within what is, in effect, a three dimensional policy space. Thus, one outcome may encompass, for example, only a small degree of exchange rate flexibility, a substantial degree of monetary independence and the use of some capital controls, while another may involve much greater exchange rate flexibility and the free mobility of capital. The detailed possibilities are, in principle, infinite.

The methodology we use in the paper allows us to identify the location of economies

within the three dimensional policy space just described. We first summarise the observed outcome in China. Having established China's outcome, we then estimate the proximity of other emerging and developing economies to this. Do developing countries tend to cluster around what China does or do they deviate from it? Beyond this, do any patterns emerge, with some specific types of developing countries (in terms of regional location or level of development) showing a greater proximity to China than others, and has the degree of proximity changed over time? Our objective in the paper is therefore to test an element of the Beijing Consensus in terms of the realized combinations of international macroeconomic policies adopted by developing and emerging economies.

The paper is organised in the following way. Section 2 provides a further broad but brief discussion of the Beijing Consensus and summarises the particular interpretation of it that we use for the purposes of our analysis. Section 3 presents, again briefly, our analytical approach, informed by the impossible triad. Section 4 explains our empirical methodology and reports our findings. Finally Section 5, provides a succinct summary and makes a few concluding remarks about the possible evolution of trilemma outcomes for China, in the light of experience in more advanced economies.

2   From Washington to Beijing

In the early 1990s, John Williamson claimed that there was a Washington Consensus concerning the design of economic policy. His particular focus was on Latin America and the policies that were being advocated there by the Washington-based international financial institutions; the IMF and the World Bank. Although the phrase has come to be used in different ways by different people, and often in a way that is at odds with Williamson's initial presentation of it, the Washington Consensus is seen as encompassing macroeconomic policies relating to fiscal deficits, monetary expansion and exchange rate policy; microeconomic policy relating to competition policy and the regulation of markets; and policies relating to trade and capital market openness. Key elements involve monetary discipline; tax reform to widen the tax base and increase tax revenue; tight control of public expenditure, with a redirection of it towards areas such as health and education; financial liberalization designed to encourage domestic saving and to raise the marginal efficiency of investment; the elimination of overvalued exchange rates in order to

strengthen the current account of the balance of payments and discourage capital flight; trade liberalization designed with the objective of raising domestic economic efficiency and exploiting comparative advantage; encouragement of foreign direct investment as a means of facilitating technology transfer; privatization and deregulation as ways of overcoming the inefficiencies of state monopolies and increasing competition; and the establishment of systems of property rights in order to facilitate the better operation of markets.

In the period since its inception, many claims and counter-claims have been made about the extent to which the Washington Consensus has survived, with assessments often depending on the particular definition favored. A key emerging claim is that in the developing world the Washington Consensus has been replaced by a so-called Beijing Consensus. However, if there were ambiguities in the interpretation of the Washington Consensus, there have been even greater degrees of imprecision about the components of the Beijing Consensus. At the broadest and most inclusive level the Beijing Consensus has been used to describe a situation in which emerging and developing economies have sought to imitate the economic policies pursued in China. At this level, the Beijing Consensus covers the complete array of economic policy and is therefore very comprehensive. More narrowly, the Beijing Consensus is taken to describe the adoption of a development strategy that is built around a gradual move to market liberalization. In this context, it relates more to a 'process' than to a particular combination of policies, and a belief that the gradualist approach to economic reform adopted in China is superior to the 'big bang' or 'shock therapy' approach that has been followed in some other countries in transition.

The 'content' and 'process' of the Beijing Consensus can, however, be combined. For example, part of the content may be to move towards a flexible exchange rate, but the process may be to do this only very gradually by incrementally or occasionally incorporating a greater degree of flexibility. Similarly, part of the content may be to move towards capital account liberalization but with a process that sets out to achieve this in a rather slow and piecemeal fashion. The same observations could be made about the adoption of free markets in general, and even about the democratization of the political system. At any one time, the content of policy may not reflect the final objective that has been set by those in authority since the process may be incomplete. However, with a sufficiently slow acting process of reform, it may appear that the existing status quo is fairly firmly

entrenched.

Whatever the claims made by policy makers in China about their intentions, there may be sufficiently little policy action in this direction to allow the dynamics of policy change to be detected. This allows the particular configuration of policy at any one point in time to be presented as 'what China does'. The idea behind the Beijing Consensus is that a similar policy configuration is to be found across emerging and developing countries.

The existing policy mix in China is certainly inconsistent with key facets of the Washington Consensus. While there might be legitimate debate about whether the design of China's domestic monetary policy and fiscal policy is consistent with the Washington Consensus, there would be considerably less disagreement about China's exchange rate policy and the openness of China's capital account. Even though the Washington Consensus does not directly opt for the superiority of flexible exchange rates, it does advocate avoiding currency misalignment, implying that some degree of exchange rate adjustment may be needed to correct currency overvaluation or undervaluation. Similarly, while not eschewing the use of capital controls in some circumstances, the Washington Consensus favors a move towards capital account liberalization. There is significant evidence to support the claim that China has strongly intervened in the foreign exchange market to maintain a low value for the renmimbi (RMB), with the motivation for this being to stimulate export led economic growth. Correspondingly, China has made extensive use of capital controls, with these allowing the Chinese authorities to exercise control over the value of the RMB.

If there is a Beijing Consensus, it would be expected that other emerging economies and developing countries would be found to have adopted similar policies. The empirical section of this paper explores the extent to which they have. Before moving on to this, however, we first characterize the aspects of what China does. Specifically, in the next section, we briefly characterize China's extant policies in the context of the impossible trinity that underlies international macroeconomic policy.

3 An Analytical Framework

The impossible triad or trilemma claims that countries cannot simultaneously have fixed exchange rates, monetary independence and free capital mobility. If a country's authorities opt to peg the value of the currency, then either domestic monetary policy needs to be

designed to ensure that the domestic rate of interest is close to the global rate in order to remove the incentive for capital to move internationally, or capital controls will be needed to directly prevent or moderate the inflow and outflow of international capital. If a high priority is placed on monetary independence but also on capital mobility, then the message of the trilemma is that a pegged exchange rate will be unsustainable. The trilemma thereby imposes constraints on the design of international macroeconomic policy, and delineates an area of a three-dimensional policy space incorporating exchange rate stability, financial openness and monetary independence. Of course, countries may not opt for the extremities within this space, and it is perhaps likely that they will not. There are degrees of currency flexibility. Capital controls can be extensive or minimal. And the domestic rate of interest may deviate a lot or only a little from the global rate. If, as the above discussion suggests, China has opted for a pegged exchange rate with respect to the US dollar, as well as for monetary independence, then it also follows from the trilemma that capital controls would have been in place.

The trilemma also implies a particular pattern of change in terms of the design of international macroeconomic policy. For example, a move towards capital account liberalization will coincide with either the introduction of a greater degree of exchange rate flexibility or a less strong commitment to monetary independence.

In the context of the trilemma, a number of 'archetypes' have been suggested to represent the extremes in the feasible policy space. In this framework, the 'U.S.' archetype represents the point where monetary autonomy and capital market openness are complete. A 'Hong Kong' archetype represents a point with complete exchange rate stability and capital market openness; while the 'China' archetype represents complete exchange rate stability, a closed financial system, and monetary independence. Our first empirical challenge is to assess the accuracy of the China archetype by identifying China's actual location in the three dimensional policy space delineated by the trilemma. Having established the trilemma outcome for China, we then seek to test the extent to which a Beijing Consensus exists on international macroeconomic policy by examining the proximity of other emerging and developing economies to China. Does the developing world mimic China?

4 A Comparison of International Macroeconomic Policy Outcomes

4.1 Data and Methodology

In this section we set out to provide a description of the international macroeconomic policies implemented by China in the last 25 years and examine whether other developing and emerging economies have implemented similar international macroeconomic policies in a similar way. In the context of the trilemma, outlined in the previous section, our focus is on policies related to exchange rate stability (s), financial account openness (f) and monetary sovereignty (m).

Our exchange rate stability measure is that used in Aizenman *et al.* (2010). It takes values between zero and one, with higher values indicating higher stability against the currency of the base country. The formula used is

$$s = \frac{0.01}{0.01 + \sigma_{\Delta log(e)}},$$

where σ is the annual standard deviation of the monthly change in the exchange rate $\Delta log(e)$. If the monthly exchange rate change is less than ± 0.33, then a value of one is imposed. (This prevents overstating flexibility when exchange rate policy targets a narrow band.) For more details see Aizenman *et al.* (2010).

As our financial account openness variable, we use Chinn and Ito's (2006) updated financial openness measure. The construction of the measure, which they call *KAOPEN*, takes into account four binary variables reported in the IMF's *Annual Report on Exchange Arrangements and Exchange Restrictions*. These are: the presence of multiple exchange rates; restrictions on current account transactions; restrictions on capital account transactions; and the treatment of export proceeds. Higher values of this index indicate greater financial account openness. We normalize their measure to fall between zero and one. For more details see Chinn and Ito (2006).

To derive a measure of monetary policy sovereignty we conjecture that the trilemma constraint holds and that the trade-offs among the polices are linear.[2] With the exchange rate stability and financial openness measures being constrained in [0,1] and with countries

being unable to pursue all three policies simultaneously, a linear trade-off implies that $m = 2 - s - f$.[3] We use this residual measure that derives directly from the trilemma because of its theoretical grounding and its simplicity.[4]

These three variables form the basis of our analysis. In what follows we look at and compare the international macroeconomic policy outcomes in China, and in developing and emerging economies.[5] We do this by examining the evolution of the three variables in the trilemma space: exchange rate stability, financial account openness and monetary sovereignty. In addition, we are interested in the stability of the *combination* of these outcomes. A policy combination is a point in the three dimensional space defined by s, f and m. We observe these combinations over time and, hence, we are able to calculate the distance (vector) between subsequent points. This is a measure of stability of the mix of international macroeconomic policies.[6]

In related work (Popper *et al.*, 2011) we use the Euclidean norm as a way to reduce the dimensionality of the data and encapsulate stability in a single metric. The norm is simply

$$n_{i,t} = \sqrt{(s_{i,t} - s_{i,t-1})^2 + (f_{i,t} - f_{i,t-1})^2 + (m_{i,t} - m_{i,t-1})^2},$$

which we then divide by $\sqrt{2}$ to ensure that the maximum possible value is unity.[7] Higher values of the norm point to an increase in instability (a greater distance between two subsequent points).

Finally, in addition to the time dimension (stability) of policy combinations we explore the cross country dimension. In other words, we measure the distance between China's policy combination and the policy combinations in developing and emerging economies. We call this 'policy distance' (pd) and use it as a manifestation of how similar or different the mix of exchange rate stability, financial account openness and monetary sovereignty is between China and its peers. The Euclidean norm is used here too:

$$pd_{i,t} = \sqrt{(s_{china,t} - s_{i,t})^2 + (f_{china,t} - f_{i,t})^2 + (m_{china,t} - m_{i,t})^2},$$

where i is the developing countries group, a regional aggregate or the emerging economies group. Again, we normalise the variable to be between zero and one.

4.2 Policy Outcomes in China

Figure 1 shows the average policy configurations for China, and for developing and emerging countries over the sample. As the figure illustrates, China indeed has been close to its 'archetype' of exchange rate stability, monetary sovereignty, and limited financial openness. Over the period 1984–2008, for which we have data, the average values of exchange rate stability, financial openness and monetary sovereignty are 0.8, 0.12 and 0.93, respectively. In fact, there have been periods when China was perfectly aligned to its archetype with complete exchange rate stability and a hermetically closed financial account. But, against this overall pattern, there have also been occasional exchange rate shifts and a one-off change in financial account policy. Table 1 shows the mean values for s, f and m, as well as their maximum and minimum values and standard deviations. The same are reported for n, the indicator of overall policy stability as described in the previous section.

Insert Figure 1 and Table 1 about here

Figure 2 illustrates the time variation of the key policies and the overall changes in the trilemma outcome for China and for emerging and developing economies. As shown in the top graph, China's financial account was totally closed between 1987 and 1992. It took on a low value of 0.16 in all other years in the sample period. The exchange rate was perfectly stable between 1987–1990 and 1995–2005. There was a low degree of exchange rate stability before 1987, between 1991–1994 and from 2006 onwards. Financial openness has been low, and monetary sovereignty, being a residual measure, was quite high in all periods. Figure 2 shows that China's variation in exchange rate stability has been much higher than the individual variation in financial account openness or monetary sovereignty.[8]

Insert Figure 2 about here

Although a degree of instability, however small, may be traced to the exchange rate in China, exchange rate instability is greater in other emerging and developing economies. For these groups the variation in financial openness is also quite high. Because the exchange rate by itself is not a sufficient indicator of changes in a country's policy configuration, it is important to examine the *overall* stability of the set of international macroeconomic policies rather than concentrating solely at the exchange rate regime.

We report descriptive statistics of the norm for China, and for emerging and developing economies in Table 1, and we also plot the norm in Figure 2. The norm's maximum value in China (reflecting high overall instability in international macroeconomic policy) was in 1995, after the renminbi's devaluation. Another spike occurred in 1987 and again after 2006, when the renmimbi was de-pegged from the U.S. dollar. The norm is zero when there are no year-on-year changes in any of its three components. This is the case between 1988–1990 and 1996–2005. Overall, the average value of China's norm during the sample period is 0.11, indicating a generally high degree of international macroeconomic policy stability.

4.3 Policy Outcomes in Developing and Emerging Economies and their Proximity to China

The empirical evidence presented in Figures 1 and 2, as well as in Table 1, shows that on average international macroeconomic policy outcomes in other emerging and developing economies have differed from those exhibited in China. Developing economies have had lower exchange rate stability (0.62) and monetary sovereignty (0.82) but greater financial openness (0.35), while emerging economies other than China have had an even lower exchange rate stability (0.43), slightly lower monetary sovereignty (0.9) and greater financial openness (0.38). They are further away from the China archetype and also further away from China's actual policy –see Figure 1. In comparison to China, the variations in financial account openness are of similar magnitude, or even higher than those in the degree of exchange rate stability.[9]

Given that the numbers in the developing country group are averages covering a large number of countries, the patterns over time are smoother with extremes tending to cancel one another out. This is evident in the middle graph in Figure 2. Even so, a clear increase over time in financial account openness can be discerned. The same pattern is present in the emerging group, shown in the bottom graph.

To provide a more detailed picture of the policy outcomes, we disaggregate the developing country group into six regions; East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub Saharan Africa. The Latin America and the Caribbean region has the highest degree of

exchange rate stability and financial openness. Correspondingly, it has the lowest degree of monetary sovereignty. The Middle East and North Africa, South Asia and Sub Saharan Africa regions all have substantial degrees of exchange rate stability. Sub Saharan Africa also has the lowest average norm value, indicating overall policy stability. This can probably be partly explained by the presence of Communauté Française d'Afrique countries.

The increase of financial account openness over time is particularly apparent in the Europe and Central Asia, Latin America and Caribbean, and Middle East and North Africa regions –see Figure 3. In contrast, financial account openness was decreasing in East Asia and the Pacific for much of the 1990s and early 2000s. From the figure it also can be seen that the Europe and Central Asia region has experienced low exchange rate stability, although this has been increasing since the early 1990s.

Insert Figure 3 about here

The t-tests in Table 1 indicate that, for every region and income group, individual policy outcomes in terms of exchange rate stability, financial openness and monetary sovereignty are statistically different from those of China. However, the mean norms of the South Asia and East Asia and the Pacific (excluding China) regions are not statistically different from China's mean norm. That is, the combinations of policy outcomes have exhibited a similar degree of overall stability.[10]

4.4   China and its Peers: 'Policy Distance' over Time

In this section we further explore the relationship between China's international macroeconomic policies and those of other developing and emerging economies. Our measure of how policies compare is based on the distances between the outcomes in the policy space, as illustrated for the averages in Figure 1. This can be calculated for each year in our sample by using the Euclidean norm, as outlined in section 4.1. Figure 4 plots the policy distance for the developing and emerging groups, and Figure 5 does the same for the separate regions.

Insert Figure 4 and Figure 5 about here

It can be seen from these figures that the distance between international macroeconomic policies in emerging economies and those in China has been on an upward trend. For the overall developing country sample, the increase in the distance is more muted, but the absolute gap between trilemma outcomes is still quite wide. It is also noteworthy that for both emerging economies and for developing countries, there was a sharp increase in the distance from China's policies in 2008, at the end of the sample period.

Figure 5 presents the regional disparities. Taking the entire period, it is only in Sub Saharan Africa that policies appear to be coming closer to those in China. For Latin America and the Caribbean, as well as for the Middle East and North Africa, the distance from China appears to be widening. This is also the case for South Asia, although the absolute gap is smaller in this region.

The figure also shows that the distance from China's policies has not uniformly and consistently widened or narrowed. Different time periods show different results. It may be seen, for example, that for East Asia and the Pacific, for Europe and Central Asia and for South Asia, there was a protracted period prior to the mid 2000s when international macroeconomic policies were becoming more proximate to those in China. However, it also needs to be recalled that such narrowing in trilemma outcomes could have been affected in some years by the changes in China's actual policies relative to the China archetype shown in Figure 2.

Table 2 displays the values of the policy distance measure over four time periods: 1984–1990, 1991–2000, 2001–2008 and 1984–2008.[11] We find that the distance between developing countries and China rises from 0.15 in the first period (1984–1990) to 0.24 in the last (2001–2008), an increase of 44%. For emerging economies it goes up more steeply from 0.23 in the first period to 0.39 in the last, an increase of 50%.

These results suggest that, consistent with Figure 5, the Latin America and Caribbean, Middle East and North Africa and South Asia regions adopt policy configurations that are increasingly different from China's. Europe and Central Asia appears to be getting closer but the initial policy distance (in the period 1984–1990) is substantial (the highest compared to all other regional policy distances during the same period). Overall, the South Asia and Sub Saharan Africa regions are closest to China over the entire period.[12]

Insert Table 2 about here

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5 Concluding Remarks

The idea of a Beijing Consensus has been widely discussed but remains ill defined. To some, it means a consensus amongst developing countries about an entire range of microeconomic and macroeconomic policies. To others, it refers to a consensus about the superiority of a gradualist approach to economic reform. To still others, it implies a consensus around the advantages of export led growth and reserve accumulation. It has even been interpreted to mean a consensus around China's proposals for international monetary reform based on the Special Drawing Right.

In this article we have empirically examined one specific and tightly defined aspect of the Beijing Consensus. Within an analytical framework provided by the impossible trinity or trilemma, we have investigated the extent to which developing and emerging economies have adopted a trilemma outcome, in terms of the combination of exchange rate policy, financial openness and monetary independence, that is close to 'what China does'. Have emerging and developing economies exhibited a similar combination of international macroeconomic policies to China?

Unsurprisingly, and perhaps reassuringly, we find that China indeed generally has been close to the conventional view of what may be characterized as the 'China archetype' of exchange rate stability, closed financial markets and monetary independence. However, for both the group of emerging economies (excluding China) and developing countries in general, exchange rates have tended to be less stable than in China, and there has been a greater degree of financial openness and less monetary independence. If anything, and for emerging economies in particular, the gap between what they do and what China does has been widening. We also find that there are significant regional disparities, with the greatest proximity to China's international macroeconomic policies being found in Sub Saharan Africa and South Asia. In general, however, the empirical evidence we present suggests that the idea of a Beijing Consensus existing in practice throughout the developing world in terms of exchange rate policy, financial openness and monetary independence is misplaced, and perhaps increasingly so.

Of course, as China develops, it may itself change what it does in terms of international macroeconomic policy, with these changes leading it further away from the China archetype. Our data reveal periods of policy change in China, particularly between 1990

and 1996. Advanced economy trilemma configurations generally involve greater exchange rate flexibility and financial openness. The question remains as to whether China will move in this direction, and how far and how fast it will move. It would be unsafe to assume that changes in the trilemma outcome are driven solely, or even largely, by the stage of economic development. Other factors - political, social and cultural, as well as economic - may exert a significant influence; China may yet exhibit a different pattern of development.

Having said this, if China is committed to establishing the renminbi as an international currency and to having it included as part of the basket of currencies upon which the Special Drawing Right is valued - and there are some indications that it is so committed - there will be pressures on China to change what it does in terms of international macroeconomic policy. In these circumstances, a time may arrive when not even China subscribes to the contemporary notion of the Beijing Consensus. For the time being, and for the short to medium future, however, what China does in terms of international macroeconomic policy seems to differ significantly from what is done in the rest of the developing world. The 'China archetype' offers an apt description of what China currently does, but not of what other emerging and developing countries do.

Notes

[1]See Mundell (1963). The term *trilemma* was first coined in Obstfeld and Taylor (1997).

[2]Obstfeld *et al.* (2005) provide evidence that the trilemma is "borne out by history" using more than 130 years of data. Others have argued that some degree of monetary autonomy can be achieved under a floating rate –see Calvo and Reinhart (2002).

[3]In practice, some countries do not take advantage of the full extent of exchange rate stability, financial openness, and monetary sovereignty that might be achievable –that is, in some cases, the trilemma does not bind. Indeed, some countries have such low levels of exchange rate stability and financial openness (s and f) that, by simple arithmetic, the implicit measure of monetary sovereignty might exceed one. Because a value of one indicates complete monetary sovereignty, we truncate the monetary sovereignty measure at one.

[4]Other measures that have been frequently used in the literature are based on interest rate correlations between a home and a base country –see Shambaugh (2004). Such measures unfortunately conflate monetary dependence with a high incidence of shocks that are common to both countries.

[5]Developing economies are those classified as lower income or middle income (excluding China) by the World Bank using 2009 data. Emerging economies are these in the Morgan Stanley Capital International emerging markets index (again excluding China).

[6]As mentioned in section 3, countries can choose 'intermediate' policies, i.e. they can partially meet each objective and do not necessarily have to choose corner solutions. Indeed, the data show that this intermediate case is the overwhelming majority.

[7]From the Pythagorean theorem, the maximum distance between two points in a three-dimensional space where each coordinate can assume a maximum value of one is $\sqrt{2}$.

[8]Glick and Hutchison (2009) report that, in recent years, China has been facing "large and growing" international capital flows, especially foreign direct investment. They investigate the implications of the trilemma for domestic inflation.

[9]Note that the reported standard deviations are not the average of the countries' standard deviations of financial openness in each sample, but rather the standard deviation of all observations pooled together. The average standard deviation is lower than the number reported but still substantially higher than China's: twice larger in developing economies (0.154) and three times larger in emerging economies (0.213).

[10]If the Beijing Consensus were to be defined in terms of the stability of overall international macroeconomic policy rather than its composition, then South Asia and East Asia and the Pacific come closest to doing what China does.

[11]The policy distance measure is calculated at the means of s, f and m, i.e. the formula is $pd_{china,i} = \sqrt{(\bar{s}_{china} - \bar{s}_i)^2 + (\bar{f}_{china} - \bar{f}_i)^2 + (\bar{m}_{china} - \bar{m}_i)^2}$, normalised to be between zero and one.

[12]Values of the policy distance measure for individual countries are not provided in this paper but are available from the authors.

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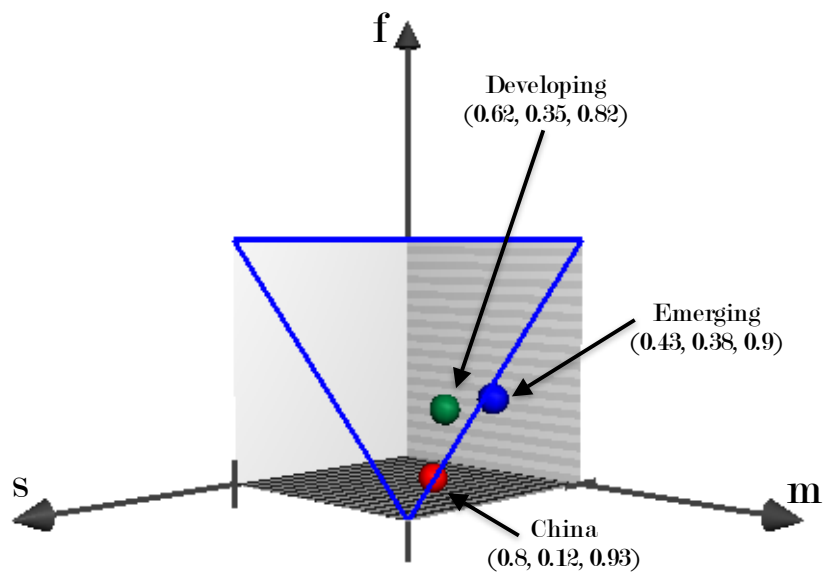**Williamson, John.** 2010. "IIE's Williamson: There is no 'Beijing Consensus'." Interview available at http://ipezone.blogspot.com/2010/11/.

f

Developing
(0.62, 0.35, 0.82)

Emerging
(0.43, 0.38, 0.9)

s

m

China
(0.8, 0.12, 0.93)

Figure 1: The Trilemma Geography: China, Developing and Emerging Economies

China

Developing Economies

Emerging Economies

———— Mean Exchange Rate Stability
------ Mean Financial Account Openness
— — — Mean Monetary Sovereignty (Implied by the Trilemma)
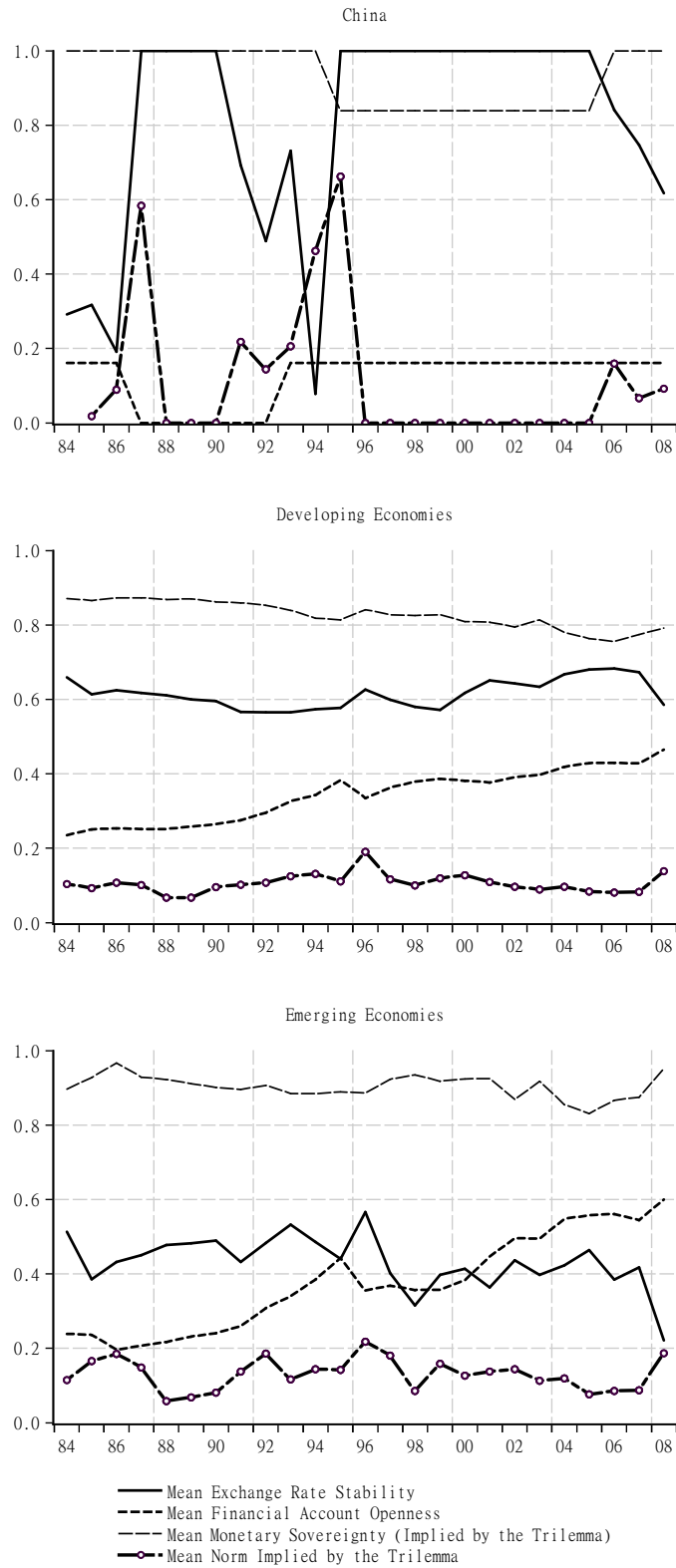—o—·— Mean Norm Implied by the Trilemma

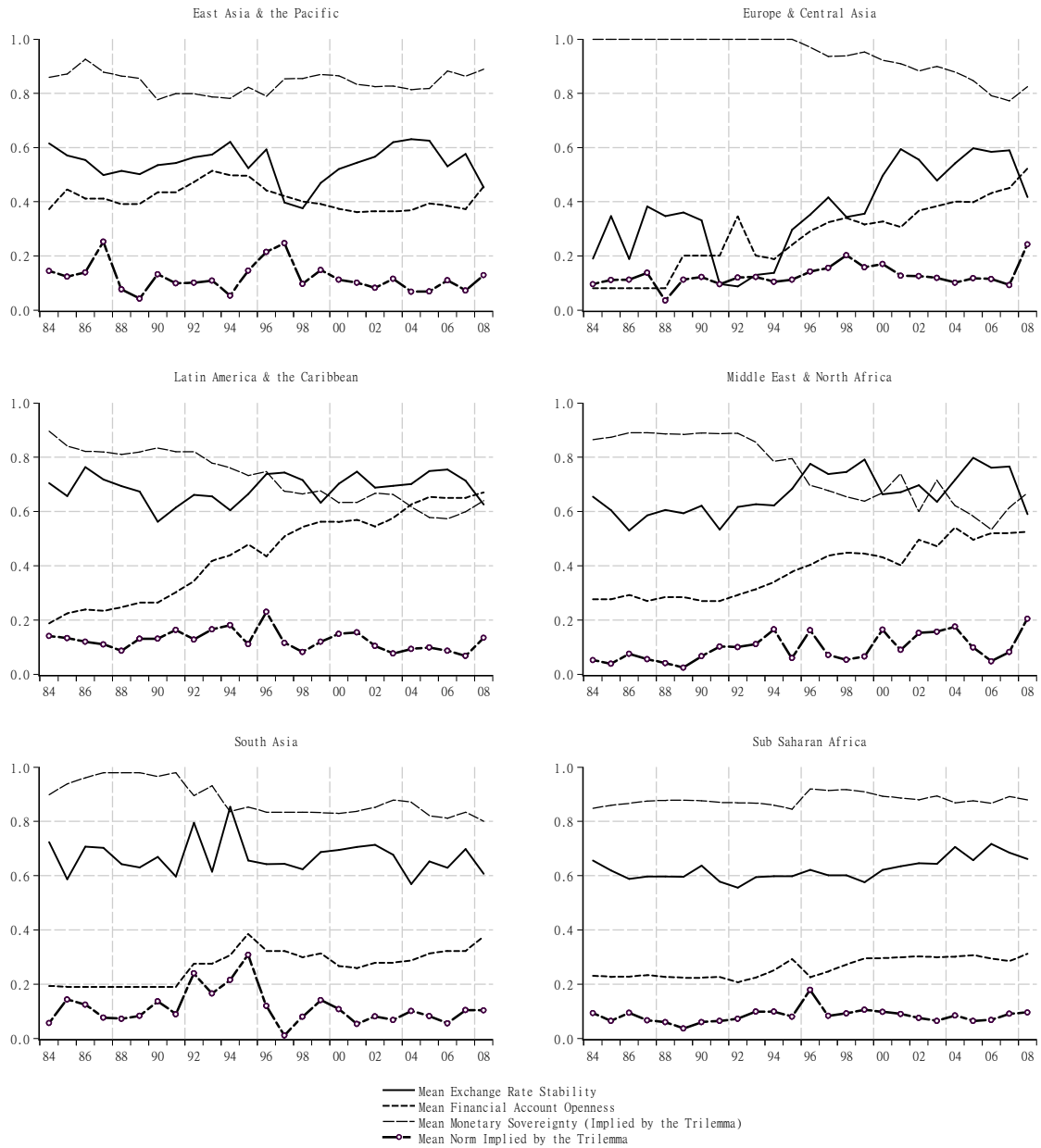Figure 2: The Trilemma Components: China, Developing and Emerging Economies

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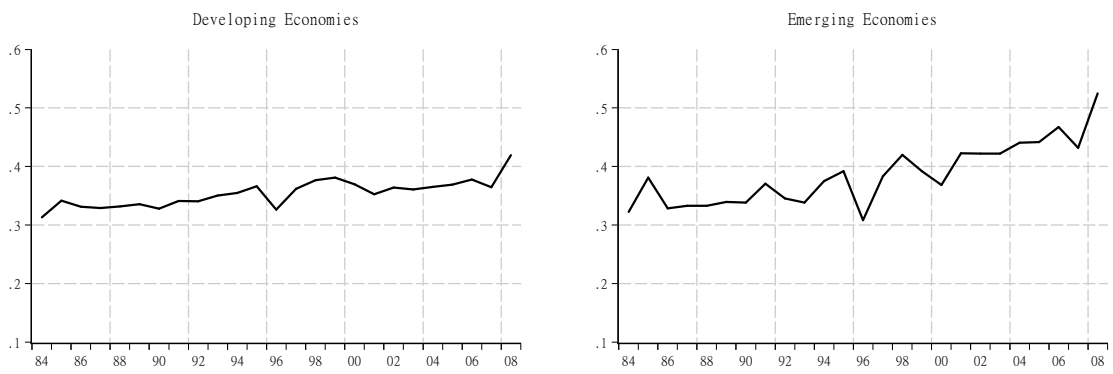Figure 3: The Trilemma Components: Regions

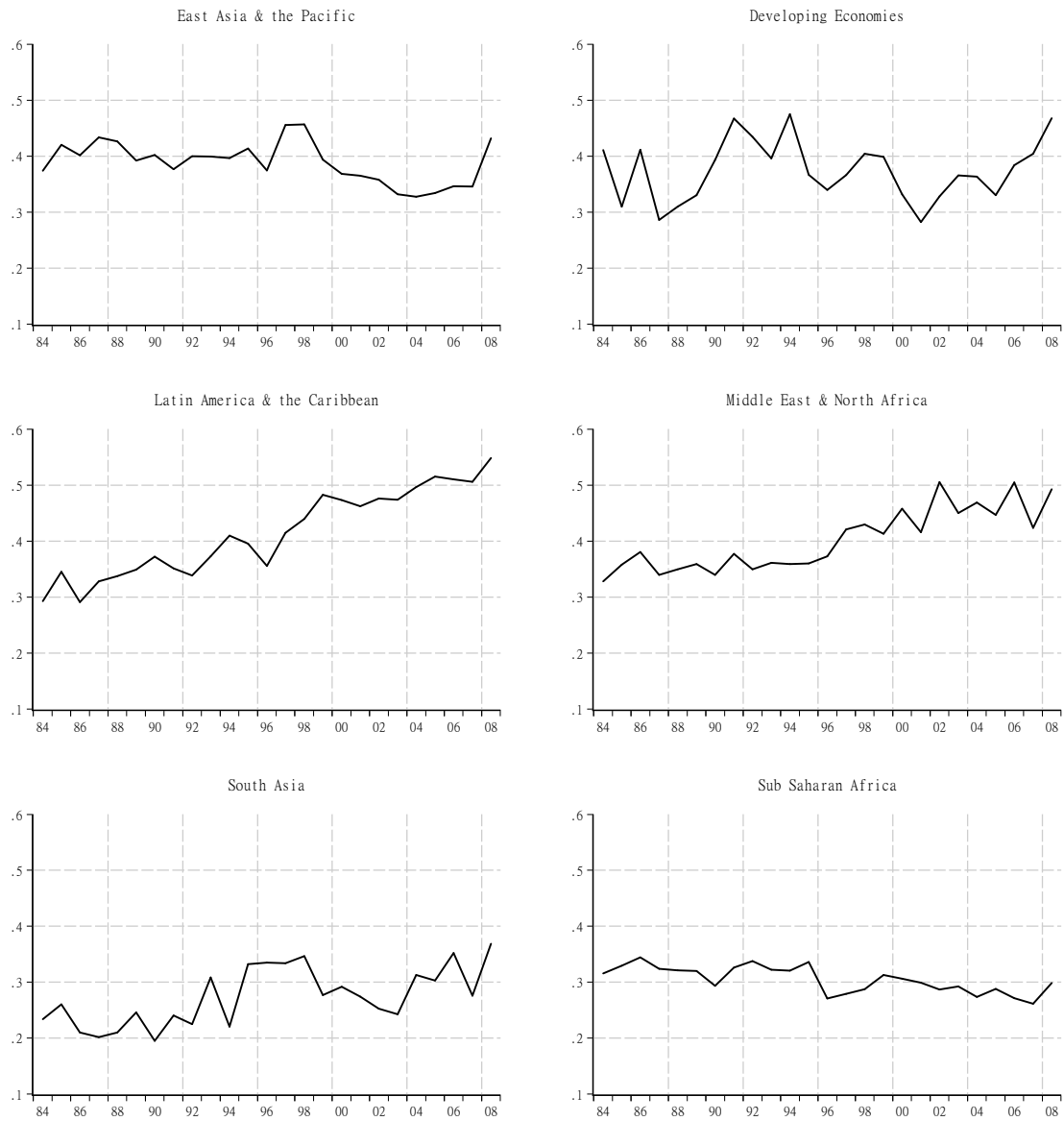Figure 4: Policy Distance from China: Developing and Emerging Economies

Figure 5: Policy Distance from China: Regions

Table 1: The Trilemma Components –Descriptive statistics

		Mean	Max.	Min.	St. Dev.	Obs.	H$_0$
China	s	0.80	1.00	0.08	0.30	25	–
	f	0.12	0.16	0.00	0.07	25	–
	m	0.93	1.00	0.84	0.08	25	–
	n	0.11	0.66	0.00	0.19	24	–
Developing Economies	s	0.62	1.00	0.01	0.35	3018	-29.3^{***}
	f	0.35	1.00	0.00	0.31	2900	38.8^{***}
	m	0.83	1.00	0.00	0.27	2854	-21.1^{***}
	n	0.11	0.94	0.00	0.14	2817	-2.4^{**}
Emerging Economies	s	0.43	1.00	0.02	0.25	482	-32.8^{***}
	f	0.38	1.00	0.00	0.32	447	17.0^{***}
	m	0.90	1.00	0.00	0.21	447	-2.7^{***}
	n	0.13	0.88	0.00	0.14	443	-2.6^{***}

Regional Breakdown of Developing Economies (Low and Middle Income)

		Mean	Max.	Min.	St. Dev.	Obs.	H$_0$
E. Asia & Pac.	s	0.54	1.00	0.02	0.30	410	-17.5^{***}
	f	0.41	1.00	0.00	0.32	367	17.7^{***}
	m	0.84	1.00	0.00	0.28	366	-6.1^{***}
	n	0.12	0.72	0.00	0.14	360	0.96
Eur. & C. Asia	s	0.41	1.00	0.01	0.28	272	-22.7^{***}
	f	0.35	1.00	0.00	0.32	245	11.3^{***}
	m	0.90	1.00	0.00	0.18	228	-2.3^{**}
	n	0.14	0.70	0.00	0.13	213	3.1^{***}
Lat. Amer. & Carib.	s	0.69	1.00	0.01	0.34	723	-8.8^{***}
	f	0.45	1.00	0.00	0.35	719	25.4^{***}
	m	0.72	1.00	0.00	0.32	717	-17.0^{***}
	n	0.12	0.94	0.00	0.17	713	1.9^{*}
Mid. East & N. Africa	s	0.67	1.00	0.01	0.33	291	-7.0^{***}
	f	0.39	1.00	0.00	0.38	283	11.8^{***}
	m	0.75	1.00	0.00	0.38	278	-7.8^{***}
	n	0.10	0.88	0.00	0.15	275	-1.8^{*}
S. Asia	s	0.67	1.00	0.04	0.29	197	-6.4^{***}
	f	0.27	1.00	0.00	0.26	191	7.8^{***}
	m	0.89	1.00	0.00	0.25	189	-2.5^{**}
	n	0.11	0.61	0.00	0.14	186	0.1
Sub-Sah. Africa	s	0.62	1.00	0.01	0.37	1125	-16.2^{***}
	f	0.26	1.00	0.00	0.24	1095	19.0^{***}
	m	0.88	1.00	0.00	0.14	1076	-11.3^{***}
	n	0.08	0.76	0.00	0.12	1070	-7.6^{***}

Notes: The last column reports the value of the t-statistic for a test of equality of each region's mean exchange rate stability s, financial openness f, monetary sovereignty m and norm n against China's respective means. (*) denotes significance at the 10% level; (**) at the 5% level; (***) at the 1% level.

Table 2: Policy Distance from China

	1984–1990	1991–2000	2001–2008	1984–2008
Developing Econ.	0.15	0.22	0.24	0.21
Emerging Econ.	0.23	0.28	0.39	0.30
Regional Breakdown of Developing Economies (Low and Middle Income)				
E. Asia & Pac.	0.26	0.29	0.24	0.27
Eur. & C. Asia	0.33	0.35	0.26	0.30
Lat. Amer. & Carib.	0.13	0.27	0.39	0.27
Mid. East & N. Afr.	0.17	0.22	0.32	0.23
S. Asia	0.10	0.15	0.17	0.13
Sub-Sah. Africa	0.15	0.17	0.15	0.15

Notes: Policy distance is a metric revealing the extent of the disparity in policy configurations between an income group (or region) and China. It is measured as

$pd_{china,i} = \sqrt{(\bar{s}_{china} - \bar{s}_i)^2 + (\bar{f}_{china} - \bar{f}_i)^2 + (\bar{m}_{china} - \bar{m}_i)^2}$.