

Abstract

This thesis deals with the question whether China's purchases of American government bonds affect the foreign policy of the USA. The first part analyses bonds as instruments for debt financing and explains why China is motivated to buy American government bonds. The second part is concerned with the relationship between the lender and the borrower and assumes that the relationship between deficit financing and a change in the foreign policy towards the lender is possible, an example being the relationship of the USA and Mexico in the 1980s. The last part introduces criteria based on which it evaluates whether the American foreign policy towards China is changing. The thesis is focused on the topic of human rights, which is a frequent source of dispute between these two countries. The thesis also comprises an analysis of the dispute between the USA and China regarding weapon sales to Taiwan. It also analyses the possibility of China selling all its American government bonds and the potential consequences for the American economy. The conclusion sums up the topics discussed in the thesis and provides an answer to the set question.