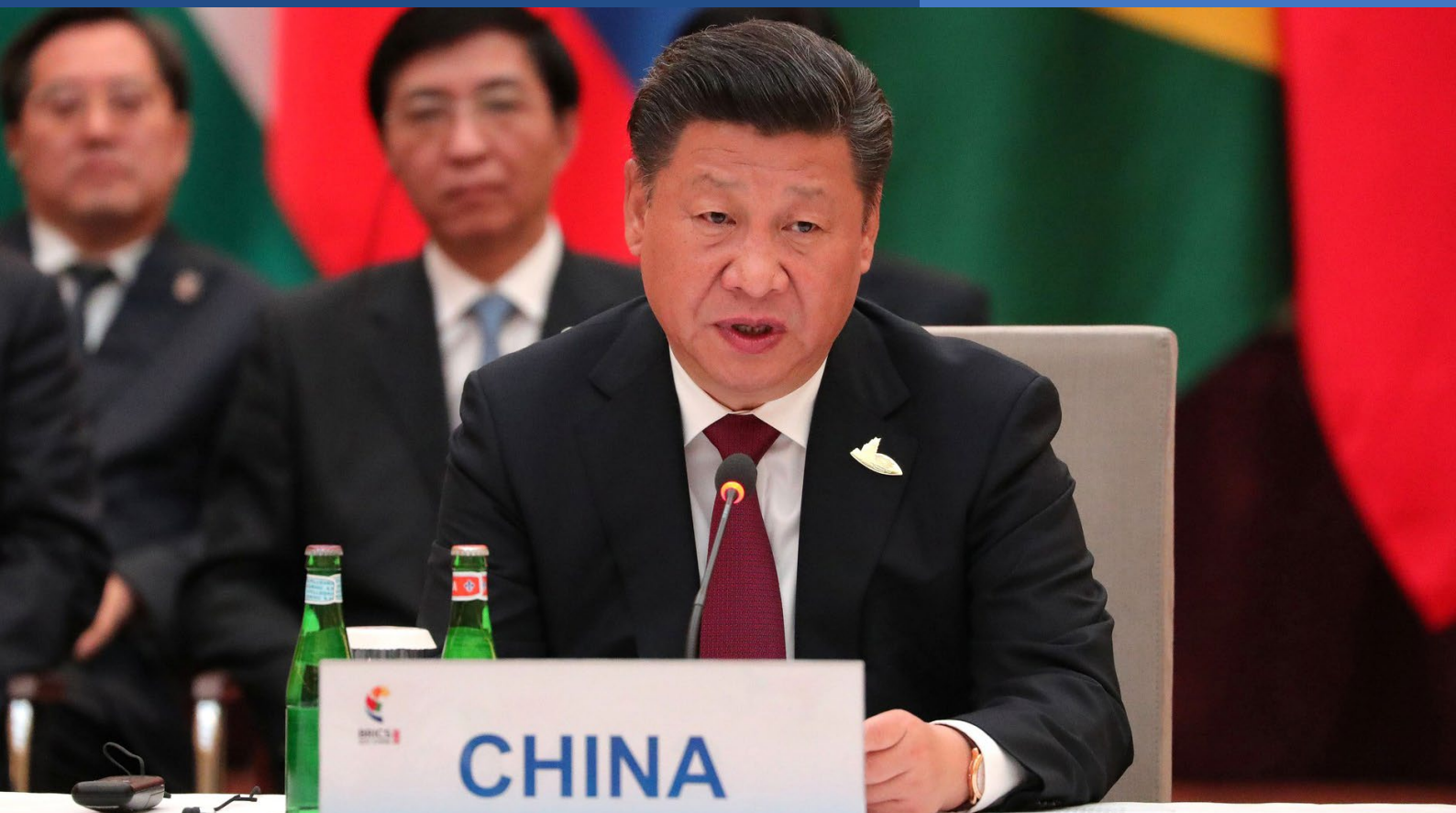


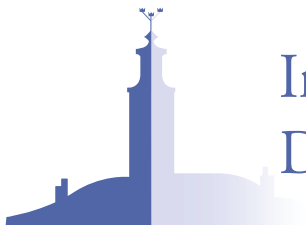
The Great Rejuvenation?

China's Search for a New 'Global Order'

Obert Hodzi and Yu-Wen Chen



ASIA PAPER
November 2017



Institute for Security &
Development Policy

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© Institute for Security and Development Policy
Västra Finnbodavägen 2, 131 30, Stockholm-Nacka, Sweden
www.isdp.eu

“The Great Rejuvenation? China’s Search for a New ‘Global Order’” is an *Asia Paper* published by the published by the Institute for Security and Development Policy. The Asia Paper Series is the Occasional Paper series of the Institute’s Asia Program, and addresses topical and timely subjects. The Institute is based in Stockholm, Sweden, and cooperates closely with research centers worldwide. The Institute serves a large and diverse community of analysts, scholars, policy-watchers, business leaders, and journalists. It is at the forefront of research on issues of conflict, security, and development. Through its applied research, publications, research cooperation, public lectures, and seminars, it functions as a focal point for academic, policy, and public discussion.

The opinions and conclusions expressed in this study are those of the authors only, and do not necessarily reflect those of the Joint Center or its sponsors. Research for this publication was made possible through the core funding of the Joint Center’s institutional sponsors and Riksbanken Jubileumsfond.

Cover picture: Chinese President Xi Jinping at the informal meeting of Heads of State and Government - the member of the BRICS summit before the "Group of Twenty" in Hamburg by the Press Service of the President of the Russian Federation.

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ISBN: 978-91-88551-03-0

Printed in Lithuania

Distributed in Europe by:
Institute for Security and Development Policy
Västra Finnbodavägen 2, SE-13130 Stockholm-Nacka
E-mail: info@isdpeu

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Acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Development Bank
BRI	Belt and Road Initiative (formally One Belt, One Road/OBOR)
CICA	Conference on Interaction and Confidence-Building Measures in Asia
COMECON	Council for Mutual Economic Assistance
ERP	European Recovery Program
IMF	International Monetary Fund
IR	International Relations
NATO	North Atlantic Treaty Organization
NDB	New Development Bank
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PRC	People's Republic of China
SCO	Shanghai Cooperation Organisation
TPP	Trans-Pacific Partnership
U.K.	United Kingdom
U.N.	United Nations
U.S.	United States
WB	World Bank

Executive Summary

This Asia Paper explores how China, a 'partial' global power, can set the agenda and determine the rules in a global order dominated by a declining yet unyielding global power. In exploring this question, we present the argument that building 'alternative' regional and global institutions might be a safer strategy for China. Further, it examines how China is through institutions, such as the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB) incrementally delimiting its sphere of influence and shaping other states' actions in Asia.

Despite the People's Republic of China's narrative that the AIIB and the BRI have been great successes and projects of the century, China's multilateral institutions still face insurmountable challenges.

First, these institutions are rising in a context dominated by other multi-layered, complex and embedded multilateral institutions within the liberal international order. China's ambition to rewrite or at the least influence significant reform of the current liberal institutional order are therefore challenged. A major issue is that the Chinese multilateral institutions are expected to conform to the model and values of the liberal institutional order; hence, there is very little room for creativity and maneuverability.

Second, with more than 60 countries subscribed to BRI and at least 18 Western countries which are members of the AIIB, there is bound to be conflicts between expectation and interest. There is doubt over whether Ethiopia, Iran and Kazakhstan would share the same ideals and expectations as the United Kingdom

and Germany. It is therefore interesting to see how China will manage these diverse interests and expectations for the AIIB and the BRI.

Third, China faces external challenges resulting from internal political systems of countries subscribed to the BRI and the AIIB. The incongruence of understanding and acceptance of Chinese funded and built projects between ruling elites and citizens in Central Asia and African countries like Ethiopia will likely disrupt the implementation of BRI projects.

Fourth, China is not the only country offering alternative development models to countries in the Global South. Colonial legacies and preference for home-grown development models in Euro-Asia and Africa as well as competition from countries such as Japan and India will be a major challenge for China.

Nonetheless, despite the aforementioned challenges, China is ushering in a new dispensation in global economic governance and is putting a test to the dominance of the United States and the Bretton Woods Institutions. Thus, there is an implied acceptance that we are at the cusp of a multipolar world and China is leading.

Policy Implications

1. If China is to be successful in offering alternative multilateral institutions, then it needs a more holistic and realistic assessment of its capabilities to maintain and guarantee a new economic governance model. This may include assessing and building its regional leadership before expanding to other regions such as Africa and Central Asia.
2. Institutions, whether economic, security related or political enable a state to exercise control over the actions of other states. However, if China is to exercise influence over other states, it should be accepted by other countries to be both the legitimate and benevolent power that it aspires to be. This

means China's own internal political system; human rights record and attitude toward foreign businesses in China should be reformed.

3. China's rise is largely attributable to the liberal international order led by the United States. However, the global balance of power has changed significantly – new powers are rising. The current distribution of power within the liberal international order's institutions should therefore reflect this new balance of power. The United States should in turn lead reform of the quota formula in Bretton Woods Institutions so that it is linked to the economic status of the rising powers.
4. The Trump administration is reticent about its position regarding China's multilateral institutions. If the United States is to influence the governance of the AIIB and the BRI so that they conform to the principles of transparency and accountability, then the Trump administration should have a clear position regarding these institutions.
5. China must significantly improve its public diplomacy efforts to increase its visibility and influence beyond political elites in countries within the parameters of the AIIB and the BRI.

Introduction

Since 2013, China is leading efforts towards the establishment of 'alternative' international financial institutions. From the Belt and Road initiative (BRI, also known as One Belt One Road Initiative, BRI), to the Asian Infrastructure Investment Bank (AIIB), and the New Development Bank (NDB, formerly BRICS Development Bank), China seems to be expanding its influence abroad, putting to test the current liberal institutional order and pre-eminence of the Bretton Woods institutions in global economic governance.

The institutions set up by China fall into two broad categories. The first category comprises of AIIB and NDB, institutions embedded in the international legal framework. Although China exercises a privileged position as founder of these institutions, it is compelled to operate within certain formalized rules and decision-making procedures in the same manner that the United States is constrained by operational rules of the World Bank (WB) and International Monetary Fund (IMF).

Exclusive Chinese initiatives such as BRI constitute the second category. Regarding these institutions, Beijing solely determines the institutions' rules and decision-making processes. The effect is that unlike in AIIB, in the BRI China has a broad leeway to set and pursue its exclusive agenda based on its economic and geopolitical interests. Accordingly, the difference between the two categories of institutions is the room of manoeuvrability for China and the extent to which it can enforce its agenda.

Regardless, the intensity and speed with which China has successively established these multilateral institutions invariably generated extensive interest and debate among global governance and International Relations (IR) scholars.¹ The interest is understandable, especially considering the paradigm shift in China's stance toward multilateral institutions - from being opposed to them, to cooperating with United Nations mandated institutions, and then to setting up new ones, all in a space of less than two decades. This paradigmatic shift has not only attracted debate among IR scholars, but also politicians and officials in both China and the United States.

Based on statements made by their leaders, the United States and China view the establishment of these institutions differently. The People's Republic of China (PRC) and President Xi Jinping maintain the 'benevolence' narrative - arguing the AIIB, BRI and other multilateral institutions founded by China serve two major purposes. First, they are vehicles for sharing China's development and wealth with the developing world. Secondly, they are aimed at making the global order responsive to the needs of rising powers and the Global South. Thus, Beijing views the AIIB and the BRI as economic tools advancing the ideals of globalization and economic interdependence.

To Barack Obama, former president of the U.S., AIIB, NDB and the BRI are simply a reflection of China's economic rise hence a threat and challenge to America's pre-

¹ Mingjiang Li, "Rising from Within: China's Search for a Multilateral World and its Implications for Sino-U.S. Relations," *Global Governance* 17, no. 3 (2011): 331-351.; Miles Kahler, "Rising Powers and Global Governance: Negotiating Change in a Resilient Status Quo," *International Affairs* 89, no. 3 (2013): 711-729.; Robert Zoellick, "Whither China: From Membership to Responsibility?" (remarks, National Committee on U.S. China Relations, New York, NY, September 21, 2005).; Gregory Chin and Ramesh Thakur, "Will China Change the Rules of Global Order?," *Washington Quarterly* 33, no. 4 (2010): 119-138.; Shaun Breslin, "China and the Global Order: Signaling Threat or Friendship," *International Affairs* 89, no.3 (2013): 615-634.; Robert D. Blackwill and Ashley J. Tellis, *Revising U.S. Grand Strategy Toward China* (New York: Council on Foreign Relations, 2015); and Sean Mirski, "The False Promise of Chinese Integration into the Liberal International Order," *The National Interest*, December 3, 2014.

eminence in rulemaking and global leadership. In a United States Military Academy commencement ceremony speech in May 2014, Obama suggested that it was not just China but also other rising powers, such as India and Brazil that competed with the United States for more influence and 'say' in global forums. In establishing institutions that it controls, Obama saw China as chipping off the United States' global economic leadership role and privileges related thereto. In response to perceived Chinese encroachment into its domain, the United States re-emphasized its Asia pivot and dissuaded its allies, such as the Philippines, Britain, Germany and Australia from joining the AIIB.

Although reticent about its position regarding China's multilateral institutions, the Trump administration has taken a 'somewhat' different approach. At the Trump-Xi meeting in Ma-a-Lago, Florida in April 2017, the United States conceded 'the importance of China's One Belt and One Road initiative'² and agreed to send a representative to the Belt and Road Forum under the framework of the U.S. – China Comprehensive Economic Dialogue. Matthew Pottinger, adviser to the Trump administration and National Security Council senior director for East Asia subsequently represented the United States at the Belt and Road Forum in May 2017. However, on its own, an acknowledgement of the importance of BRI by a mercurial Trump administration may not signal a shift in the U.S. position regarding Beijing's multilateral financial and economic institutions. In fact, claiming it was just the beginning, Trump signed a memorandum authorizing the United States Trade Representative to consider investigating China for possible intellectual property rights, innovation, or technology development malpractices

² JOINT RELEASE: Initial Results of the 100-Day Action Plan of the U.S. - China Comprehensive Economic Dialogue. Department of Commerce, 11 May 2017. <https://www.commerce.gov/news/press-releases/2017/05/joint-release-initial-results-100-day-action-plan-us-china-comprehensive>

in August 2017. If the investigation is undertaken, it might be indicative of a toughening of U.S. policy towards China.

Nonetheless, there seems to be no clarity on whether the establishment of these institutions by China is part of a grand strategy or just a consequential result of its economic rise and subsequent frustration with having 'little say' in global affairs as alluded to by Barack Obama. On the other hand, an acknowledgement of the BRI initiative by the Trump administration is not indicative of a shift in U.S. position. Instead, it reflects Trump's transactional approach to foreign policy and diplomacy because in exchange for recognition of BRI, Beijing made wide-ranging agricultural trade, biotechnology and financial services concessions to Washington. For instance, China agreed to allow imports of U.S. beef; evaluate and grant licenses to the pending eight U.S. biotechnology product applications, permit foreign owned financial services firms in China to provide credit rating services and issue bond underwriting and settlement licenses to two American financial institutions by July 16, 2017. Accordingly, Trump's position regarding the BRI does not signal a drastic shift in Washington's stance regarding China's multilateral institutions – the U.S. remains wary of their development. Moreover, Trump faces pressure from within the administration to toughen U.S. policy towards China.

Why new institutions?

In search for a more nuanced understanding of the paradigmatic shift in China's strategy and attitude toward multilateral institutions, analysis on the subject has broadly fallen into three major categories. Largely the categories mirror the positions of Beijing and Washington. Tim Summers describes the first two categories as between those that see China's actions as being a 'geopolitical and diplomatic offensive' and others that regard it as a form of economic self-rejuvenation largely driven by economic and commercial factors.³ Of the two explanations, that China is establishing new institutions as a geopolitical and diplomatic offensive against the U.S-led institutional order is by far the most common. This explanation, which has somewhat become the dominant one, takes different variations depending on the analysts' theoretical framework of analysis. Those that subscribe to the neorealist perspective argue that China is dissatisfied with its position in the current global order because Western values underpin the order, and the United States dominates it.⁴ Because of its dissatisfaction with the status quo, neo-realists would argue, China is now pushing 'for a regional institution within which it would be dominant or at least have considerable impact.'⁵ It therefore follows that the successive establishment of 'alternative' multilateral institutions by China is a reflection of its rising global power,

³ Summers, Tim. "Thinking Inside the Box: China and Global/Regional Governance." *Rising Powers Quarterly* 1, no. 1 (2016): 23-31. <http://risingpowersproject.com/wp-content/uploads/2016/10/vol1.1.Tim-Summers.pdf>.

⁴ Zhao, Suisheng. "China as a Rising Power versus the US-led World Order." *Rising Powers Quarterly* 1, No. 1 (2016): 13-21. <http://risingpowersproject.com/wp-content/uploads/2016/10/vol1.1.Suisheng-Zhao.pdf>

⁵ Ren, Xiao. "China as an Institution-Builder: The Case of the AIIB." *The Pacific Review* 29, no. 3 (2016): 436.

frustration with Western dominance of the current global order and the United States' unwillingness to acknowledge China's growing power in the IMF and WB. In addition, the AIIB, an institution embedded in the international legal framework and the BRI, which does not have such a substantial institutional framework constitute Beijing's strategy to rejuvenate its economy as it matures. The era of two-digit economic growth is over; and the cheap-labor competitive advantage is being lost to poorer countries such as Bangladesh and Ethiopia. In seeking to build a network of infrastructure projects across Europe, Asia and Africa, China is encouraging trade and opening of market opportunities for Chinese businesses, particularly in the construction sector. Furthermore, with Chinese loans largely financing the AIIB and BRI infrastructure projects, there is an implied understanding that construction contracts will be awarded to Chinese companies. A trend is already emerging. In Laos, the China Railway Group won the tender to construct a major part of the China-Laos railway. Beijing is providing 70 per cent of the US\$6 billion required for the project. The Ethiopia-Djibouti's US\$3.4 billion railways had 70 per cent financed by China's Exim bank and was built by China Railway Group and China Civil Engineering Construction. The same goes for Kenya's Standard Gauge Railway linking Mombasa to Nairobi. It is therefore excusable to assume that the AIIB and the US\$1 trillion BRI represent 'China-funded and China-built' infrastructure, hence, tools for Beijing's economic self-rejuvenation.

The third explanation, which has not yet drawn much attention, is that the need for 'distributive justice' is propelling China. As President Xi puts it, 'It is a pursuit not to establish China's own sphere of influence, but to support common development of all countries. It is meant to build not China's own backyard garden,

but a garden shared by all countries.’⁶ This explanation hinges on the underlying assumption that China is a benevolent power representing the interests of developing countries by expanding its influence in existing international institutions and establishing new ones. Promoters of this explanation imply that by establishing the AIIB and the BRI, China is offering the Global South ‘a voice in global economic governance that has not been perceived as operating equitably for developing countries... [Providing] poorer economies more agenda-setting and policy influence.’⁷ The PRC obviously prefers, and has advanced this pro-developing countries explanation arguing that the AIIB and BRI are vehicles employed by China to spread the benefits of its economic development with the rest of the other developing countries, especially in Asia. In addition, the PRC prefers this explanation because it rebuts charges that the institutions constitute a parallel order challenging the U.S. and the liberal international order.

The previous explanations provide a compelling oversight of the observable factors influencing China’s drive toward building and nurturing new multilateral institutions in global governance. What they are insufficient in doing is explain the underlying strategy behind China’s paradigmatic shift toward multilateralism and establishment of new multilateral institutions. In other words, existing analyses do not explore whether China is employing an institutional strategy to establish a new global order, and if the AIIB, BRI and the NDB are part of that strategy. What makes these questions critical is that China can no longer be regarded as a mere rising power in the mold of India or Brazil as suggested by Obama in 2014. China is

⁶ Xi, Jinping. 2016. “Keynote Speech by H.E. Xi Jinping, President of the People’s Republic of China at the Opening Ceremony of the G20 Summit.” <http://www.globalresearch.ca/chinas-president-xi-jinpings-opening-address-of-g20-summit-a-new-blueprint-for-global-economic-growth/5543895>

⁷ Strand, Jonathan R., Flores, Eduardo, M., and Trevathan, Michael W. “China’s Leadership in Global Economic Governance and the Creation of the Asian Infrastructure Investment Bank.” *Rising Powers Quarterly* 1, no. 1 (2016): 57. <http://risingpowersproject.com/wp-content/uploads/2016/10/vol1.1.Strand-Flores-Trevethan.pdf>

arguably a 'partial'⁸ global power striving towards a comprehensive global power status in a context where the span of the partial-to-comprehensive global power transition is uncertain. Thus, merely attributing its effort in establishing new multilateral institutions to frustration with the current global order or as distributive justice is insufficient, and risks portraying China as a reactive rather than a rational calculating state with a proactive strategy to increase its global influence. This paper therefore presents the argument that China has adopted an institutional strategy to *increase its global influence, lock-in future benefits and constrain other states' actions and development policies in Asia and beyond*. In addition to mapping out China's strategy and the potential of its impact, this paper offers empirical data to suggest areas where China's strategy face constraints and thus demonstrates the limit of China's ambition to steer the new global order.

⁸ David Shambaugh described China as a partial power because it does not possess 'comprehensive power and global influence across economic, cultural, diplomatic, security, governance, and other realms' (Shambaugh, David. *China Goes Global: The Partial Power*. Oxford: Oxford University Press, 2013, p.8).

China and the current global order

From 1948 onward, Henry Kissinger has argued that, there is, 'an incipient global order composed of an amalgam of American idealism and traditional European concepts of statehood and balance of power.'⁹ The large concentration of economic and military power in the U.S. underpinned and sustained that 'incipient global order'. Even though they represent 'a small minority of the world's population' the U.S. and Western Europe were and are still largely able, 'to initiate, legitimize, and successfully advocate policy in the economic and security realm.'¹⁰ Charles Kupchan describes that order as a by-product of the triumph of the U.S. and its Western allies in World War II which despite resistance from China, Russia, Cuba and some countries in the Third World became the dominant order as the West, 'finally prevailed against its many antagonists' and ran the global show.¹¹ With little or no input in its functions and operations, the developing world, including China was either forcibly incorporated or at best acquiesced into the Western global order. Consequently, principles underlying the rules and practices of this liberal international order reflect the interests and ideologies of the most dominant state,¹² constituting a 'regime' imposed by the United States.¹³ Thus, as put by

⁹ Kissinger, Henry. 2014. 'Henry Kissinger on the Assembly of a New World Order.' *The Wall Street Journal*, 29 August. <http://www.wsj.com/articles/henry-kissinger-on-the-assembly-of-a-new-world-order-1409328075>

¹⁰ Stuenkel, Oliver. 2016. "The Post-Western World and the Rise of a Parallel Order." *The Diplomat*, September 26. <http://thediplomat.com/2016/09/the-post-western-world-and-the-rise-of-a-parallel-order>

¹¹ Kupchan, Charles. *No One's World: The West, the Rising Rest, and the Coming Global Turn*. Oxford: Oxford University Press, 2012, p.2.

¹²Keohane, Robert O. *After Hegemony: Cooperation and Discord in the World Political Economy*. Princeton: Princeton University Press, 2005, p.256.

¹³ Strange, Susan. *States and Markets*. London: Continuum, 1988, p.103.

Obama, the bottom line was, and still is that, 'America must always lead on the world stage.'¹⁴

To maintain its preponderance of power, the U.S. strengthened global and regional institutions, such as the IMF, the World Bank and the Asian Development Bank (ADB), and created a comprehensive web of other institutions locking in substantial investments – diplomatic, political economic, and strategic. Propelled by the unipolar moment, it translated, 'its power advantages... into institutionalised partnerships that provide ongoing political influence and control'¹⁵ - making institutions America's 'weapon' of choice in systematically constraining the ability of non-Western rising powers like China from exercising control and influence in both global and regional economic governance. For instance, through a web of bilateral hub-and-spoke relationships guided by hierarchical and patron-client partnerships across Asia,¹⁶ the U.S. uses existing institutions to maintain its capacity for autonomy, regional influence, and hegemony. Japan, another regional power, capitalises on its alliance bilateralism with the U.S. to realise its preferences in multilateral settings.¹⁷ Being key strategic allies, both Japan and the U.S. have through a network of institutions premised within the Western liberal international order and dominated by or tethered to the U.S. made sure that no rival great power dominates the Asian region by not letting countries like China write the rules of the global economy.

Asia is however, changing. Besides the, 'deep historical antagonisms..., conflicting economic systems, divided and disputed territories, and rapidly shifting power

¹⁴ Obama, Barack. "Remarks by the President at the United States Military Academy Commencement Ceremony." *The White House*, May 28, 2014. <https://www.whitehouse.gov/the-press-office/2014/05/28/remarks-president-united-states-military-academy-commencement-ceremony>

¹⁵ Ikenberry, John G. and Inoguchi, Takashi. *The Uses of Institutions: The US, Japan, and Governance in East Asia*. New York: Palgrave Macmillan, 2007, p.15.

¹⁶ *Ibid.*, 3.

¹⁷ *Ibid.*, 2.

relationships,¹⁸ the rise of China – a more assertive and economically prosperous China – has transformed Asia into a crucial theatre of Great Power rivalry. In the ensuing battle for pre-eminence, institutions, old and new, are becoming the new frontline, with the U.S. wanting to maintain dominance, while China demands for more influence. Despite China's sustained pressure for reform of economic governance institutions to reflect the new global economic power distribution in which it is now the second largest economy with a 12.4% share of the total global GDP, 'the pace of changes in the distribution of voting rights has been glacial,'¹⁹ leaving China with minimal manoeuvrability. For instance, China only has 3.81% of IMF voting rights, significantly lower than the U.S.' 16.74%; Japan (6.23%), Germany (5.81%), United Kingdom (U.K.) (4.29%) and France (4.29%). In the WB, the U.S. has 16.12% of the total voting rights, and Japan has 7.47%, compared to 4.82% allocated to China. The trend is similar even in the ADB, China commands a mere 5.48% of the total voting power compared to Japan's 12.84% and U.S.' 12.75%. Cumulatively, ADB members who are also members of the Organisation for Economic Co-operation and Development (OECD) hold 58.6% of total voting rights and 64.6% of total subscribed capital. This has caused great anxiety among the emerging economies, particularly China whose inability to meaningfully participate in great-power decision-making mean that despite its relative economic power, it still is unable to set the agenda and structure the situations in regional and global economic governance.

¹⁸ Ikenberry and Inoguchi, *The Uses of Institutions*, 15.

¹⁹ Biswas, Rajiv. 2015, *Reshaping the Financial Architecture for Development Finance: The New Development Banks*. London School of Economics Global South Unit, Working Paper no. 2 (2015), p.3.
<http://eprints.lse.ac.uk/61120/>

Reforming the global order with China at the forefront

The 'great anxiety' for both the U.S. and rising global powers, particularly China is that whilst they are not verbalising the reality, without a doubt they recognise that global power is shifting from the U.S. toward China. At the very least, they calculate that the U.S. no longer has undisputed preponderance of power, and this has exposed the liberal international order to an imminent peripeteia. The rise of Donald Trump, Brexit and the populist rhetoric is not making it any better. In a recently published article, Oliver Stuenkel suggested that, 'we stand at the cusp of a historical shift of power away from the West toward Asia, and the consequences are increasingly being felt in global politics.'²⁰ Accordingly, there is a surge of expectation for an imminent post-*Pax Americana* or as Fareed Zakaria put it, 'the post-American world' - attesting to the impending *coup de grace* of the current global order.

China, once content with hiding its capabilities now openly concurs that the world stands at 'the cusp of a historical shift' and that Beijing should play a prime role in the changes that are unfolding. Fu Ying, Chairperson of the Foreign Affairs Committee in the National People's Congress wrote, 'the world is again at the historical doorstep of major changes not only in conventional and non-conventional fields, but also in global and regional arenas.'²¹ Wang Yi, China's Foreign Affairs minister said, 'the international order and system also need to keep abreast of the times. It should go through reforms and be adaptive to development

²⁰ Stuenkel, "The post-Western world."

²¹ Fu, Ying. "Under the Same Roof: China's View of Global Order." *New Perspectives Quarterly* 33, no. 1 (2016): p.45.

and progress in international relations.²² Along the same lines, President Xi Jinping told a study session attended by members of the Political Bureau of the Communist Party Central Committee that, ‘the global structure depends on the international balance of power and reforms hinge on a change in the balance.’²³ He then urged China to actively participate in global governance, assume more international responsibility and play a larger role in rule-making and agenda setting because, as observed by Fu Ying, ‘We have to admit that the order structures, whether the “world order” or the “international order”, can no longer cope with the complicated challenges facing mankind... The international system and governance has come to a stage of reform. And the Chinese people want to join this effort at its forefront.’²⁴

Joining the ‘stage of reform’ of the international order at its forefront is nothing close to Deng Xiaoping’s, ‘hide your strength, bide your time’ foreign policy dictum. Instead, it signals a radical shift in China’s foreign policy strategy to one that is more proactive and assertive, which Xi Jinping summed up in his *fenfa youwei* (奋发有为), “be proactive in seeking achievements” declaration. Xi’s *fenfa youwei* foreign policy dictum underscores the need for China to be proactive in global governance. As Xi explained to Communist Party officials in a Central Foreign Affairs meeting, in line with the new strategy, China, ‘should advance multilateral diplomacy, work to reform the international system and global governance, and increase the representation and say of China.’²⁵ In addition, he urged China to develop a distinctive diplomatic approach befitting China’s role as

²² Wang, Yi. “For China-US Friendly Cooperation, for Global Peace and Development.” *Ministry of Foreign Affairs for the PRC*. September 16, 2016.

http://www.fmprc.gov.cn/mfa_eng/wjzb_663304/wjzb_663308/2461_663310/t1297164.shtml

²³ “Xi Calls for Reforms on Global Governance.” *Xinhua*, September 29, 2016.

http://www.china.org.cn/china/2016-09/29/content_39393813.htm

²⁴ Fu, “Under the Same Roof,” 48.

²⁵ “Xi Eyes More Enabling International Environment for China’s Peaceful Development.” *Xinhua*, November 30, 2014. <http://en.people.cn/n/2014/1130/c90883-8815967-3.html>

a major power.²⁶ Explaining the new foreign policy strategy further to the National People's Congress in the 2014 Government Work Report, Premier Li Keqiang iterated that China should, 'fulfil the role of a responsible big country regarding major international and regional affairs and flashpoints'²⁷ in order to increase its influence abroad. Part of the reason for China wanting to play such a major role in global governance as explained by Xi Jinping in September 2016 is that the international balance of power is changing, and so should the structure of global governance. This means Beijing must participate, 'in the process of rule-making, agenda setting, publicity and coordination in global governance.'²⁸

The shift and redefinition of China's foreign policy strategy under the leadership of Xi Jinping suggests that as a 'partial' global power, China is aiming at consolidating its global power status by expanding its political interests abroad, seeking high-table participation in great-power decision-making institutions and setting the global agenda. Yet, as discussed previously, the U.S. already controls existing multilateral institutions mainly used to achieve agenda setting, and rulemaking in global governance, and is unwilling to relinquish or share any of that power with China.

How then can a 'partial' global power unsure of the longevity of the partial-to-comprehensive global power transition achieve its objective of setting the agenda and determine the rules in a global order dominated by a declining yet unyielding global power? Lacking in military power, and uncertain of whether its preponderance in economic power upon which its rising global power status is

²⁶ Ibid

²⁷Report on the Work of the Government, *Delivered by Premier Li Keqiang at the Second Session of the Twelfth National People's Congress on March 5, 2014*. http://www.china.org.cn/china/2014-03/14/content_31792191.htm

²⁸ Xinhua, "'Xi Calls for Reforms on Global Governance.'"

based will be sustained until the decline of the U.S., an open challenge to the U.S. would be suicidal.

These factors create a dilemma for China. China's global order reform strategy must use its current competitive economic advantage to increase its power and influence in global economic governance without directly threatening the U.S., in case it fails to dislodge the U.S and become the global power in its stead. To allay the dilemma, although they admit to the importance of China in the current international balance of power shift, Chinese officials often deny China's ambitions for global leadership.

In September 2016, President Xi stressed to G20 delegates that, 'the new mechanisms and initiatives launched by China are not intended to reinvent the wheels or target any other country.'²⁹ Wang Yi also claimed that AIIB and BRI were not meant to compete with current financial institutions.³⁰ Chinese leaders' statements that they are merely extending the garden for the rest of developing states and democratising the international order are at most insincere and do not reflect the genuine ambitions of China. These statements are at most, meant to instil confidence in sceptical states that China is willing to restrain its discretionary power. In addition, they are meant to demonstrate its reliability, commitment, and willingness to forego the arbitrary exercise of power. Accordingly, despite their frantic efforts, both academics and officials in America and China believe that Beijing is competing with the U.S for leadership in Asia and for influence in global governance because no state aspires to be perpetually under the leadership of another.

Apart from denying global leadership ambitions, for a 'partial' global power lacking manoeuvrability within the current liberal international order, building

²⁹ *Ibid.*

³⁰ Wang, "For China-US Friendly Cooperation."

'alternative' regional and global institutions is a safer strategy. This would enable China to expand its geopolitical and economic influence without bluntly threatening the current global power. 'Integrating into existing international institutions is not China's sole policy option. It should set its own agenda, timetable and policy priorities.'³¹ The strategy as put by Stuenkel is that, 'rather than directly confront existing institutions, rising powers - led by China - are quietly crafting the initial building blocks of what we may call a "parallel order" that will initially complement, and later possibly challenge today's international institutions.'³² For China, comprehensively reforming the current global order to suit its interests by establishing alternative institutions is a strategy that balances competition and cooperation, providing an essential camouflage for its geopolitical offensive on the U.S. and the liberal international order. Accordingly, as argued by Lina Benabdallah, China is pursuing a, 'dual strategy vis-a-vis the current international order, support the continuation of the order by backing U.N.-led development initiatives while at the same time initiating alternative institutions and platforms.'³³ This means pushing, 'for more influence and when stymied, create new forums for global governance.'³⁴ A major benefit for China is that through the dual-strategy, it continues to benefit from the current global order by cooperating when it is beneficial, while simultaneously expanding its influence abroad through creating alternative institutions that it controls and regulates.

³¹ Chen, Kai. "Three Perspectives on Chinese Diplomacy: Government, Think Tanks and Academia." *International Affairs* 92, no. 4 (2016): p.991.

³² Stuenkel, "The Post-Western World."

³³ Benabdallah, Lina. "Towards a Post-Western Global Governance? How Africa-China Relations in (form) China's Practices." *Rising Powers Quarterly* 1, no. 1 (2016): 136.

<http://risingpowersproject.com/wp-content/uploads/2016/10/vol1.1.Lina-Benabdallah.pdf>

³⁴ Strand et al., "China's Leadership in Global Economic Governance," 58.

Delimiting sphere of influence

For a state admitted in already established global governance institutions, establishing alternative institutions enables China to legitimately set the boundaries of its own political community and delimit its sphere of influence. Determining rules and qualification for membership in an institution is usually the preserve of founders of the institution who often make those decisions with their strategic interests in mind. Regardless of how much 'say' a state like China gains in already established institutions, such as the WB or IMF, it cannot determine who participates and who does not, neither can it materially change the institutions' procedural and operational rules. For example, having been excluded from Asia-Pacific economic cooperation institutions, such as Trans-Pacific Partnership (TPP), China is well aware of how exclusion in regional and global institutions can undermine a state's economic interests. In the case of the TPP, the exclusion of China potentially undermined its, 'centrality in the regional economy... [and undercut] its influence in political and security affairs.'³⁵ One remedy for such disadvantages of exclusion and late-entrance to already established institutions is for a state to set up new institutions that serve its national interests and expand its global influence.

The AIIB and the BRI, as newly established institutions under the ambit of China reflect Beijing's interests, and serve the purpose of creating a sphere of influence for China, enabling it to establish its dominance over Asia's economic and development affairs. However, as part of its dual strategy and its 'partial' power

³⁵ Wu, Xinbo. "Cooperation, Competition and Shaping the Outlook: The United States and China's Neighbourhood Diplomacy." *International Affairs* 92, no. 4 (2016): p.860.

status, which limits its ability to challenge the current global order directly, Chinese officials are quick to assert that,

*'China's goal is not to create spheres of influence but to build communities of common interests and shared future. By putting forward initiatives such as building the Silk Road Economic Belt and the 21st Century Maritime Silk Road, China does not intend to seek dominance over regional affairs but to offer more development opportunities to other countries. And China's proposal on the Asian Infrastructure Investment Bank is not meant to start something new, but to improve the existing financial system and remove bottlenecks for financing in the region.'*³⁶

Even if one is to concede that the BRI and the AIIB are meant to 'build communities' rather than create 'spheres of influence', China remains the main architect of the said 'community', setting its rules of membership and engagement. Arguably, through the AIIB and the BRI, China is seeking regional pre-eminence, 'through a process of rulemaking and institutional building, where secondary states agree on their own to abide by the rules and expectations of the order.'³⁷ China is therefore using these institutions to delimit its political community. Thus, China's denialism does little to allay U.S concerns that China is building these institutions to establish a 'parallel order' under its control and exclusive influence.

The AIIB and the BRI do not only give China the power to delimit its own political community, they enable it to exercise the power of inclusion and exclusion in the distribution of associated public goods. Because the U.S., Japan, and Taiwan are not members of AIIB, they cannot benefit or influence the behaviour of other states within the bank, neither can they determine the direction of regional politics and economics as far as AIIB's sphere of influence extends. Similarly, by dividing AIIB's membership into two categories - regional members and non-regional members,

³⁶ Wang, "For China-US Friendly Cooperation."

³⁷ Ikenberry, John G. *After Victory: Institutions, Strategic Restraint and the Building of Order After Major Wars*. Princeton: Princeton University Press, 2001, p.52 note 4.

China used its founder's preponderance to exercise the power of exclusion and inclusion in a way that advances its geopolitical and geo-economic interests. That ability to decide who could become a member of the AIIB or the BRI and the different rights and privileges that accrue to each state based on its membership is a factor of China delimiting its sphere of influence. This explains why the U.S. was opposed to its European and Asian allies such as the Britain, Germany, South Korea and Australia being members of the AIIB. With 37 regional member states and 18 non-regional members from Europe, Oceania, Latin America and Africa, China now has a significant political community in its orbit, which naturally makes it the architect of its sphere of influence.

The strategy of using institutions to delimit a state's spheres of influence is not particular to China. During the Cold War, both the U.S. and the Soviet Union established rival multilateral institutions to delimit their political and economic communities. The U.S. established the North Atlantic Treaty Organization (NATO) and the European Recovery Program (ERP) also known as the Marshall Plan rivalling the Soviet Union's Warsaw Pact, and the Council for Mutual Economic Assistance (COMECON). These institutions enabled the two rival powers to decide on which states belonged to their respective camps, and they directly exercised control and influence over their actions and policies. Although China may not be able to control the actions and policies of all AIIB member states and BRI beneficiaries, it is undoubtedly able to set the agenda for these multilateral institutions. For a pragmatic emerging great power like China which is benefitting from the current liberal international order, but is seeking to carve its own influence in an unthreatening manner, institutions such as the AIIB and the BRI are suitable tools for expanding its political influence without directly provoking Washington.

Shaping and constraining state actions

For the past seven decades, Bretton Woods institutions have shaped and constrained states' actions in global economic governance. Even in the eventual case of a post-American world, their influence will continue to regulate the global economic order because institutions, 'persist and continue to shape and constrain state action even after the power that created them has declined.'³⁸ For institutions to have such a legacy, a state at the crest of its global power should have established and sustained them. Despite a slowdown in its economy, to a 6.9% growth year-on-year in the first quarter of 2017 China remains a consequential global economic power. In 2010, it displaced Japan to become the largest economy in Asia and the second largest global economy behind America. It is also the major trading partner of almost all its neighbours in Asia and with most countries far beyond its neighbourhood in Africa, Europe and Latin America.

Using this economic competitive advantage, China is establishing multilateral institutions, such as the AIIB and the BRI to shape and constrain state actions within the Asian region and beyond in the hope, as argued by John Ikenberry, that these institutions will endure beyond its zenith of power. Take the AIIB for instance, by setting the agenda, scope and mission of the bank, and setting the categories and criterion of becoming a member, China effectively shaped and constrained the actions of AIIB, and that will continue for as long as AIIB exists. Combined with its lion-share of voting powers and a Chinese presidency, it can significantly influence the agenda of the AIIB and indirectly influence the

³⁸ Ibid.

distribution of benefits in Asia. In addition, by providing greater representation and voting rights to regional members rather than the more developed and largely Western non-regional members such as Britain, Germany and Netherlands, China largely delimited the parameters of their participation in the AIIB.

The AIIB is therefore, a mechanism through which China can gain control and influence over other states, particularly in Asia, which is the AIIB's main region of focus. Based on the current AIIB Articles of Agreement,³⁹ China holds the highest voting power with 300 786 share votes compared to the India's 86 655, Russia's 68 344 and South Korea's 40 369. Comparatively, the AIIB voting power structure skews in favour of China than is the distribution of voting rights in other multilateral development banks, such as ADB, WB and IMF. For instance, China holds approximately 27.6% of voting power in AIIB compared to the U.S.' 16.74% in the IMF and Japan's 12.84% in the ADB. With the combined advantage of having the presidency, which is somewhat reserved for a Chinese and a large voting power even though it does not specifically have veto power like the U.S. has in the WB, China has substantial influence on the AIIB's major operational decisions.

Essentially, what China could not do because of its relatively low voting power in the IMF, WB and ADB, it now can do with an overwhelming majority of voting powers in the AIIB, an institution largely under its control. As put by Morris Scott and Mamoru Higashikokubaru of the Centre for Global Development, 'voting power has very practical applications within these institutions in determining how much say each shareholder has over operations. In this way, it can serve as a concrete measure of a country's "influence".'⁴⁰ Therefore, the AIIB gives China a

³⁹ Asian Infrastructure Investment Bank, "Articles of Agreement."

⁴⁰ Morris, Scott and Higashikokubaru, Mamoru. "AIIB Voting Power: How Does it Compare to the Other MDBs and What Does it Mean for the US and Japan?" *Centre for Global Development*, September 7, 2015. <http://www.cgdev.org/blog/aiib-voting-power-how-does-it-compare-other-mdb-and-what-does-it-mean-us-and-japan>

significant measure of control and influence over operations of the bank and by extension the behaviour of other member states, particularly regional members.

Some may argue that in the AIIB, Beijing may not have direct control over individual infrastructural projects. Yet, it still is irrefutable that by having the highest voting power and controlling the presidency, it retains control over operational as well as project matters in the same way that America and Japan influence the rules that determine who benefits from the WB, IMF and ADB respectively. In addition, by having a controlling stake in the AIIB, China, 'is able to change the range of choices open to others, without apparently putting pressure directly on them to take one decision or to make one choice rather than others. Such power is less "visible". The range of options open to the others will be extended by giving them opportunities they would not otherwise have had'.⁴¹ In the process, it challenges the preponderance of the liberal economic order and its attendant institutions that represent the U.S. and Western Europe's interests in Asia.⁴² States voluntarily enter the orbit whose centre of axis is China, making it possible for China to gain increasing economic and political power and influence within the region, thus displacing the U.S. and Japan in the process.

⁴¹ Strange, *States and Markets*, 31.

⁴² Chen Shaofeng, "AIIB: A Watershed in Power Transition between U.S. and China (亚投行:中美亚太权势更替的分水岭?)," *The Chinese Journal of American Studies* ([美国研究](#)) 29, no 3. (2015): 14-33.

Lock in future development policies in Asia

The AIIB and the BRI reflect China's development strategy underpinned by massive investments in infrastructural development. From Africa to Europe and Asia, Chinese infrastructural development projects funded by China or built by Chinese firms are a common sight. Capitalising on its competitive advantage in infrastructural development, China is using the AIIB and the BRI to lock-in participating states to China's conception of development policies and grand plan for Asia. As more states join the AIIB and as BRI projects become further developed it becomes increasingly difficult for states to make extensive departures from the economic and policy orientations of these institutions. This gives China a comprehensive economic preponderance consolidating its influence over future development policies in the region.

In general, economic preponderance is a factor of power resources such as raw materials, capital, markets and production and power behaviour, that is, the ability to set rules for economic bargains.⁴³ A state that uses its economic preponderance to shape and constrain other states' action is usually regarded as *interventionary* especially if it is in asymmetrical bilateral relations with developing countries. The U.S., U.K. and Western European states have often been accused of using their economic power to interfere in the internal affairs of developing countries and imposing their development models and policies on them. However, where a state creates institutions and uses those institutions to advance its development models and policies, it gains a veneer of legitimacy.

⁴³ Nye, Joseph S. "The Changing Nature of World Power." *Political Science Quarterly* 105, no.2 (1990): p.187.

Instead of advancing its economic power ambitions unilaterally and risk massive criticism that it is using loans and credit to enforce its development models on developing countries, the BRI initiative and the AIIB are an ingenious tool for China to lock-in present and future development policies in its zones of influence. The two multilateral institutions provide China with the legitimacy it needs to extend its influence abroad in an unthreatening subtle manner. Being that as it may, preponderance in control over capital, particularly the ability to give other states huge loans is according to Susan Strange one of the four sources of structural power. She defined structural power as, 'the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises and (not least) their scientists and other professional people have to operate.'⁴⁴ In terms of power resources, China might not have dominant control over raw materials, but it has an abundance of capital, which it has dispensed everywhere in the form of credit for infrastructural projects. The AIIB and the BRI give China the restrained ability to control the supply and distribution of infrastructure development loans and economic development credit - dispensing fears that China might use its huge capital to dominate other states. Put in the context of Asia where dated and inadequate infrastructure remains a common challenge, and the cost for developing the infrastructure has been pegged at US\$730 billion each year,⁴⁵ the ability of China to establish an institution targeted at meeting that need and contributing half of its US\$100 billion capitalisation gives it considerable structural power within the Asian region. The implication is that a state that can control and distribute financing for infrastructure development becomes central in controlling the political economy of the region.

⁴⁴ Strange, *States and Markets*, 24-25.

⁴⁵ Asian Development Bank, *Fact sheet on Asian Development Bank and Hong Kong*.

Beyond the understanding of economic hegemony as constituting power resources, 'others use the behavioural definition in which a hegemon is a state able to set the rules and arrangements for the global economy.'⁴⁶ According to Robert Gilpin, 'Great Britain and the United States created and enforced the rules of liberal international economic order'⁴⁷ and they created institutions that gave effect to those rules and retained the founding preponderance. Conceivably, China is following the same route. The AIIB is arguably China's move toward alternative sources of exercising structural power that is the, 'power to shape and determine structures of the global political economy by setting the agenda of discussion and design the international regimes of rules and customs that govern international economic relations.'⁴⁸

Therefore, through the AIIB China is effectively encouraging other states in the Asian region, frustrated by the inability of existing regional and global financial institutions' inability to meet their demand for financing, 'to channel or limit their activities in ways' that China as the dominant economic power in the region prefers.⁴⁹ Accordingly, by establishing the AIIB, which represents its preferred rules governing regional economic activity, China is universalising its regional economic and financial governance preferences in a manner that is beneficial to those other states that desire to and can take advantage of the AIIB.

⁴⁶ Nye, "The Changing Nature of World Power," 188.

⁴⁷ Gilpin, *War and Change in World Politics*.

⁴⁸ Strange, *States and Markets*, 24.

⁴⁹ Nye, "The Changing Nature of World Power," 182.

Lock in future benefits

Through institution building, China is also able to use its current economic power to ring-fence and guarantee present and future economic, diplomatic and political benefits. Michael Froman, the U.S. Trade Representative summed up China's strategy to lock-in future benefits when he said, 'China is executing on its regional strategy: The Belt and Road initiative, the Silk Road Fund, the Asian Infrastructure Investment Bank, the challenges in the East and South China Seas, and its push to conclude the Regional Comprehensive Economic Partnership (RCEP). The RCEP is a mega-regional trade agreement with 16 countries, spanning from India to Japan. It would be the largest regional trading block in history.'⁵⁰ Suisheng Zhao also points out that China is guaranteeing itself trade and economic benefits by, 'negotiating the Regional Comprehensive Economic Partnership (RCEP) with ASEAN states as an alternative to the US-led TPP, China launched two initiatives in 2015. One was the Silk Road Economic Belt and the 21st Century Maritime Silk Road, known as the Belt and Road initiative, which is to bind together 65 countries and 4.4 billion people beyond China's land and maritime borders.'⁵¹ By incorporating developing states in Asia and other regions in decision-making processes in the AIIB and to some extent the BRI, and making them co-sponsors of their own development, China is securing future economic benefits and gaining their trust and compliance with its BRI and AIIB vision. In addition, Beijing is

⁵⁰ Froman, Michael. "Remarks by U.S. Trade Representative Michael Froman at Rice University's Baker Institute for Public Policy." *Office of the United States Trade Representative*. September 19, 2016. [Ahttps://ustr.gov/about-us/policy-offices/press-office/speechestranscripts/2016/september/remarks-us-trade](https://ustr.gov/about-us/policy-offices/press-office/speechestranscripts/2016/september/remarks-us-trade)

⁵¹ Zhao, "China as a Rising Power," 15.

portraying an image that the institutions are for the common good of both China and the states involved.

There seem to be a realization among Chinese Communist Party ruling elites that China could still use institutions to legitimize its economic and trade dealings particularly in the Global South, and gain global influence, especially, if it does so through institutions under its control and influence. By negotiating trade and economic development deals within a multilateral institutional context, China has gained more influence and acceptance from countries such as the Philippines that it had had hostile relations with for decades. In an interview during his state visit to China, Rodrigo Duterte said, 'If we have the things you have given to other countries by the way of assistance, we'd also like to be part of it and to be part of the greater plans of China about the whole Asia, particularly Southeast Asia.'⁵² What Rodrigo Duterte's statement implies is that the Philippines is shifting focus from Washington to Beijing. Duterte seems to believe that close relations with Beijing will enable Manila to get economic benefits that it was 'excluded' from because it was not part to China's great plans in Asia. Xi Jinping describes Beijing's plans in Asia as follows, 'I have proposed the initiative of building the Silk Road Economic Belt and the 21st Century Maritime Silk Road to share China's development opportunities with countries along the Belt and Road and achieve common prosperity.'⁵³ The implication is that as more countries see opportunities for their development in AIIB and BRI, they voluntarily bind themselves to China's institutional order and act according to its rules.

⁵² "Interview: Philippine President Says "Only China Can Help Us." *Xinhua*, October 17, 2016. http://news.xinhuanet.com/english/2016-10/17/c_135760893.htm

⁵³ Xi, "Keynote Speech by H.E. Xi Jinping."

Challenges facing China in expanding its influence

China's multilateral institutions are not rising in a vacuum. They are rising within a context of a liberal international order with institutions that are complex, multi-layered and embedded such that their embedded values and norms are the default standard that other institutions should follow. The enmeshed composition of members in the AIIB, and the more than 60 countries directly targeted by the BRI pose the first challenge for China. Unlike the Bretton Woods Institutions that were initially constituted of like-minded Western powers, China's multilateral institutions comprise of states with highly divergent values and interests. Western powers, such as the United Kingdom, Germany, France and Australia are concerned with the extent to which the AIIB and the BRI conform to Western values and norms. Within these institutions, they consider themselves as guardians of the liberal world order. To authoritarian and illiberal democracies, such as Ethiopia, Azerbaijan, Brunei, Cambodia, Iran, Kazakhstan, Uzbekistan and others, the AIIB and the BRI may represent an alternative to the liberal economic policies of the IMF and the WB. It is therefore interesting to see how China will manage these diverse interests and expectations for the AIIB and the BRI.

The second challenge is that China's vision is excessively ambitious, and often will most certainly face complications in practice. In Central Asia as is the case in Africa, Beijing faces corruption, political instability, frequent change of laws and regulations, poor continuity of financial practices and to some extent instances of terrorist activities.⁵⁴ In merely emphasizing economic development through

⁵⁴ Daniel C O'Neill, "Risky Business: The Political Economy of Chinese Investment in Kazakhstan." *Journal of Eurasian Studies* 5, no. 2 (2014): 145-156.

investments in infrastructure without addressing the accompanying political and security challenges, Beijing may find it difficult to protect its investments and secure its nationals working in some of these volatile regions.

The third challenge is that there seem to be an incongruence between ruling elites and the masses in most countries that AIIB and BRI projects will be implemented. This is more peculiar in Ethiopia where demonstrators in the Oromia Region targeted Chinese factories, complaining that they were constructed on their ethnic lands. Likewise, in Central Asia, which constitutes the BRI's major focus, local people's views towards China's rising influence in their countries tend to be mixed with positive and negative narratives. Fears of an influx of Chinese workers into Central Asia, "ruining" local environment, job market and even national security are prevalent in local newspapers.⁵⁵ Several recent surveys indicate that locals have little knowledge of the BRI.⁵⁶ Therefore, so far China's initiatives remain at an elite level, and is limited in its ability to display benevolence.

Fourth, it is important to stress that even as China seeks to lock in future development policies in Asia, Central Asian countries have their own legacy and practices. This means they would still prioritize their own development models before adopting others. For post-Soviet countries in Central Asia, the Soviet model was previously influential. After these states obtained independence, they have been undergoing nation-building process and support for Russian model has been declining. Even as Russia pushes forward the Eurasian Economic Union (EEU), situating Central Asia in the midst of competition for influence between China and Russia, Central Asians states have tried to maintain their own autonomy. Recent

⁵⁵ Aziz Burkhanov and Yu-Wen Chen, "Kazakh Perspectives on China, Chinese and Chinese Migration", *Ethnic and Racial Studies* 39, no. 12, (2016): 2129-2148.

⁵⁶ Yu-Wen Chen and Soledad Jiménez-Tovar, "China in Central Asia: Local Perceptions from Future Elites" *China Quarterly of International Strategic Studies* 3, no.3, (2017): 1-17.

surveys reveal that Central Asians are more supportive of their own national development models than China's development model.⁵⁷

⁵⁷ Yu-Wen Chen and Olaf Günther, "China's Influence in Uzbekistan: Model Neighbor or Indifferent Partner?" *China Brief* 16, no. 17 (2016): 11-14; Yu-Wen Chen, "A Research Note on Central Asian Perspective on the Rise of China: The Example of Kazakhstan. *Issues and Studies* 51, no 3. (2015): 63-87.

Concluding remarks

Institutions, whether economic, security or political enable a state to exercise political control over the actions of other states. For emerging great powers such as China that are developing within a U.S. dominated liberal international order, there is little room to maneuver. Their ability to set their own regional, let alone global economic agenda, and expand their national interests beyond their borders is structurally constrained because no region is without a dominant power. Having risen within a liberal economic order governed and directed by the Washington, Beijing was devoid of opportunities to set rules and arrangements of regional or global consequence that are based on its national interest and preference. The slow pace of reform of existing institutions of global economic and financial governance meant that China's economic power remained dormant and in latent mode.

As discussed, the maneuvering of China shows that for emerging global powers not intending on materially reforming the existing global order, or seeking to fundamentally change the nature, function of international economic institutions that they immensely benefited from, and still derive benefits, there is a possibility of establishing alternative-but-complementary multilateral institutions.

The AIIB's Articles of Agreement state that it, "will complement the existing multilateral development banks, to promote sustained and stable growth in Asia." Such institutions enable the emerging global power to set its own agenda, thereby providing an outlet to expand its influence onto other states in a non-threatening manner. Far from only challenging and seeking to compete with the Bretton Wood institutions and the ADB, it can be contended that Beijing's strategy with the AIIB is to carve its own political community and expand its influence in a manner that

does not directly challenge the status quo; but that position it within great-power decision making. Even so, China's actual influence in the cooperating countries is still not without limits. Local conditions often constrain the degree that Beijing can effectively push forward its ambition and agenda. The separation between ruling elites and normal people regarding their perceived importance of engaging with China also reduces legitimacy and effectiveness of China's influence in global affairs.

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