

Between Revisionist and Status Quo: The Case of China's Leadership in the AIIB

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Abstrak

Tulisan ini berusaha memahami politik luar negeri China kontemporer dengan menilai kepemimpinannya di Bank Investasi Infrastruktur Asia (AIIB), menggunakan konsep kontestasi multilateralisme yang diajukan oleh Julia Morse dan Robert Keohane. Penulis berargumen bahwa sejak awal abad ke-21, China berusaha meningkatkan citranya sebagai kekuatan global baru melalui transformasi politik luar negeri. Untuk memperluas ruang politik, China tidak hanya menggunakan diplomasi periferi namun juga strategi diplomasi lintas regional melalui mekanisme bilateral dan multilateral. Dalam konteks ini, penulis melihat pada isu spesifik yaitu pembentukan AIIB sebagai bukti partisipasi China dalam politik ekonomi global. AIIB dapat dilihat sebagai praktik multilateralisme politik luar negeri China sebagai upaya memenuhi tantangan pembangunan domestik, regional, maupun global. Dalam hal ini pembentukan AIIB tidak hanya berimplikasi pada kebijakan perdagangan dan keuangan China, tetapi juga pada penyelesaian kesenjangan infrastruktur di Asia sekaligus menantang pengaruh Amerika Serikat (dan Jepang) melalui Bank Pembangunan Asia (ADB), yang mana China memiliki kekuatan politik minor untuk mengakomodasi kepentingan politik ekonominya. Kata kunci: China, revisionis, status quo, kontestasi multilateralisme, AIIB.

Abstract

This article seeks to understand China's foreign policy today by assessing its leadership in the Asian Infrastructure Investment Bank (AIIB), using the scholarly term of 'contested multilateralism' coined by Julia Morse and Robert Keohane. We argue that since the beginning of the 21st century, China has managed to improve its image as a new global power through the transformation of its foreign policy. In expanding its political sphere, China is using not only peripheral diplomacy but also cross-regional diplomacy strategies through the existing bilateral and multilateral mechanisms. Within this context, we look at a specific case of the AIIB creation as evidence of China's greater participation in the global political economy realm. The AIIB can be seen as how China practices multilateralism in its foreign policy as it is trying to meet domestic, regional, as well as global development and economic challenges. This article argues that the creation of AIIB is not only the implication of China's fiscal and trade policy, nor merely to solve the regional infrastructure gap in Asia, but also to challenge the U.S. (and Japan) influence through the Asian Development Bank (ADB), in which China possesses minor political power to accommodate its political economic interests.

Keywords: China, revisionist, status quo, contested multilateralism, the AIIB.

INTRODUCTION

Since the beginning of the 21st century, China has managed to improve its image as a new global power through the transformation of its foreign policy. China has expanded its influence in various fields, including security, political, economic, and cultural realms. This stands in contrast to Mao Zedong's isolated foreign policy from outer influence. Mao's skeptical attitude against international system can be traced through various events, especially the failure of China to win a seat in the United Nations (U.N.) and the Korean War, in which China has experienced substantial losses from the Allied attack on the Korean Peninsula. This had been followed by vicissitudes in the relations between China

and the Soviet Union as well as the United States (U.S.), while China tried to balance itself against the two superpowers and aligned with the Third World.

The transformation of China's foreign policy started not so long after Deng Xiaoping liberalized the Chinese economy at the end of the 1970s. During the initial stages of economic reform, eastern coastal provinces were opened to foreign investment to accelerate development. As modernization became the key driving force of China's economic development, the relations with Western countries had been very significant. China had been able to utilize the relations to support economic reform. The result had been outstanding. For example, China achieved an impressive average Gross National Product (GNP) growth rate of 9 percent from 1978 to 1993 (Hishida, 1994). Massive industrialization has succeeded in boosting China's economy, enabling Beijing to increase outward foreign direct investment in order to prevent fiscal stagnation in the domestic sphere. This significant development, among others, raises a question whether the rise of China would become a threat to regional stability in the near future (Saeki, 1995).

In terms of Gross Domestic Product (GDP), China ranks number two in the world after the U.S. (or number three if the European Union is viewed as a 'country'). Nevertheless, the Chinese leaders are reluctant to call their country as one of the developed industrializing countries. Rather, they see China as the leader of the developing countries—President Xi Jinping himself stated this in 2014 (Fish, 2014). Given the mixed and confusing status, where China can be considered as neither developed nor developing countries, China is expanding its political sphere using both peripheral diplomacy and cross-regional diplomacy strategies through the existing bilateral and multilateral mechanisms (Lanteigne, 2009).

Peripheral diplomacy means that China seeks to engage with its neighboring countries (East Asia, Southeast Asia, Central Asia, and South Asia) in various forms of cooperation, including economic, socio-cultural, and political-security cooperation. This approach was initiated by Jiang Zemin with several underlying reasons. First, it provides certainty to neighboring countries that the Tiananmen incident will not bring China back to the politics of isolation. Second, it prevents the collective cooperation efforts of neighboring countries affiliated with the U.S. to impede Chinese rule in Asia, by involving these countries into China's regional interests. Third, it convinces neighboring countries that China is not present to dominate but to be an alternative partner in the Pacific region. Ultimately, it aims to maintain external political stability to develop domestic economic and market reforms. It is also a part of Jiang's ambition, namely '*daguo waijiao*' or 'great power diplomacy,' aimed at improving economic, military, and geopolitical capabilities in the region (Lanteigne, 2009).

Meanwhile, cross-regional diplomacy aiming to cooperate with countries from other regions, such as Africa, Latin America, and Europe, broadens China's international cooperation. To date, the Belt and Road Initiative (BRI) is a sort of concrete vision initiated by China, which membership includes numbers of countries from different regions. This outstanding economic scheme involves six economic corridors: China-Mongolia-Russia, China-Central Asia-West Asia, Bangladesh-China-India-Myanmar, New Eurasian Land Bridge, China-Pakistan, and Indochina Peninsula. Delivering his speech during the 2017 BRI Summit in Beijing, Xi Jinping clearly addressed that the purposes of reviving ancient Silk Road (land and maritime) included deepening policy connectivity, enhancing infrastructure connectivity, increasing trade connectivity, expanding financial connectivity, and strengthening people-to-people connectivity. Remarkably, the preliminary concept of BRI was firstly introduced in Kazakhstan and Indonesia in the autumn of 2013.

Initiated under the Hu Jintao administration, cross-regional diplomacy focuses to counter anti-Chinese policies by the U.S. and to strengthen strategic cooperation with the European countries creating a multipolar global constellation. Furthermore, it aims to demonstrate a good intention to the

neighboring countries in order to create a harmonious atmosphere for economic growth. At this point, Hu's objective is to create a new global constellation based on multipolarity. Based on these two levels of engagement, the pattern of China's diplomacy has flourished through different channels and at various levels (Lam, 2006).

Given the multiple channels of China's international diplomacy, multilateralism has become one of the major approaches in China's foreign policy practices since the era of Jiang Zemin. In addition to bilateral relations, China has been pursuing regional and multilateral forums to promote its national interest; among the notable achievements is when China was granted membership of the World Trade Organization (WTO) in 2001. Since then, China has been widely seen as possessing active foreign policy, in contrast with Deng's call for China to 'hide capabilities and be low profile' in its foreign relations.

Notably, China has recently upgraded its approach to multilateralism through the creation of the Asian Infrastructure Investment Bank (AIIB) in 2016. Some acknowledge the establishment of the AIIB as a multilateral financial institution is as China's first initiative of its kind. Others argue that AIIB may lead to the restructuring of global economic governance, in which the status quo, American-led global economic governance regime, will be challenged. In her article, Paola Subacchi strongly argues that despite China's contribution to filling Asia's large infrastructure gap through the AIIB, it would cause a more fragmented regional economic governance where two competing institutions, the AIIB and the Asian Development Bank (ADB), presenting 'a risk of establishing divergent investment standards' (Subacchi, 2017).

In fact, this phenomenon has lured attention from both academia and policymakers regarding the driving factors behind the creation of AIIB. Since the mid-twentieth century until today, the global economic governance has been dominated by the Bretton Woods system, whereby the U.S. and Britain stand as the primary actors behind the scene. The subsequent formation of International Monetary Fund (IMF) as the international financial institution, World Bank as the international development institution, and WTO as the international trade institution have strengthened the main principle of Bretton Woods system. Rather than utilizing the existing international institution such as ADB, China came up with a new institution signifying controversy (China with other four countries of BRICS—Brazil, Russia, India, and South Africa—had actually established New Development Bank (NDB) prior to AIIB. But, perhaps due to its limit of scope and funding, NDB is not as controversial as AIIB). To put it simply: why does China create a new international development institution rather than utilizing the existing body?

Against this backdrop, this study seeks to learn the political motives of China behind the creation of the AIIB. It is significant for two main reasons. First, it provides a detailed explanation of why China created the AIIB. Second, it helps develop the debate on China's foreign policy scholarship. The study mainly argues that the initiative of China to create the AIIB is not merely to strengthen its fiscal and trade policy. Instead, China aims to challenge the existing U.S.-led global economic governance regime, which is being exercised through the ADB as the extension of the World Bank in Asia. Within this context, it is interesting to explore the argument using the concept of contested multilateralism.

CONCEPTUAL FRAMEWORK

WHY 'CONTESTED MULTILATERALISM'?

Studying the politics of multilateralism in International Relations (IR) remains pertinent to understand the cooperation between states and non-states actors. Comparable to bilateralism and imperial hierarchy, multilateralism is an alternative concept of how global politics should be organized (Caporaso, 1992). As 'an architectural form,' multilateralism contains 'deep organizing principle of

international life' (Ruggie, 1992). It does not only take account the importance of divisibility, but also considers the generalized principles of conduct and diffused reciprocity. In this sense, multilateralism is regarded in a traditional perspective, which merely defines it as the cooperative "practice of coordinating national policies in groups of three or more states, through *ad hoc* arrangements or by means of institutions" (Keohane, 1990: 731). It is also a specific platform to understand how different interest of states are converged and transformed into a set of institution consisting norms, principles, and rules, whose objectives are to reduce the costs of transactions and to provide relevant information (Keohane, 1984).

In the light of scholarly debates on multilateralism in IR, Julia Morse and Robert Keohane coined a concept of 'contested multilateralism.' They argue that states, intergovernmental organizations, and other non-state actors often act strategically, using alternative multilateral organizations to pursue their interests when established institutions fail to do so. They perceived that when a group of states is dissatisfied with existing institutions, they would respond in mainly two approaches. First, they will seek to shift the focus of rulemaking to other institution, which is properly defined as 'regime shifting.' Second, they construct an alternative institution, which is labeled as 'competitive regime creation.'

The conceivable effect of such approaches is an institutional change in the configuration of multilateral institutions, mostly leading to, or expanding and reinforcing, regime complexes as opposed to integrated international regimes. Rather than looking at the element of cooperation within a multilateral institution, dissatisfaction against rules, practices, or missions of existing multilateral institutions become the core of how contested multilateralism plausibly occurs, thus bringing competition among multilateral institutions. The competition will end up in two possible results: the newly created institution will provide criticism against the existing institution, thus making an influence for institutional reform; or when one succeeds, the others fail.

Whether the disagreed coalitions, in terms of regime shifting or competitive regime creation, would successfully contest the existing multilateral institutions, the power of states remains central. Contested multilateralism is likely to be a success if states possess abundant resources and institutional advantage. Powerful states have incentives to act multilaterally, "both to mobilize support and attendant resources, and to gain legitimacy for their contestation of established multilateral policy" (Morse & Keohane, 2014: 388). Interestingly, even if an unsatisfied coalition consisting of weak states are unable to force immediate change, they are still able to challenge existing institutional practices symbolically. In general, contested multilateralism emphasizes on what kind of multilateralism that is "best to achieve long-term objectives," with the unavoidable consequence of regime complexity (Morse & Keohane, 2014: 389).

Although we found contested multilateralism useful, some scholars have debated the concept. Stewart Patrick, for example, argued that the disagreement against the practice of existing institution would only stimulate the growing number of informal multilateral cooperation. He prefers to use 'multilateralism *à la carte*' rather than contested multilateralism as he found that this situation produces flexibility, informality, and piecemeal governance (Patrick, 2015a). In his other work, Patrick argues that this "ad hoc-ism, if carried too far, could undermine formal institutions whose legitimacy, resources, and technical capacity are needed over the long haul and cannot be easily replaced" (Patrick, 2015b: 127). Gráinne de Búrca criticized contested multilateralism as it signifies a way to challenge or undermine the existing institutions, rather than advancing the objectives and practices or supplementing and enhancing them (de Búrca, 2016). However, we understand that despite the disagreement towards contested multilateralism, it can be used to learn the ongoing debate on China's foreign policy scholarship, which is on revisionist or status quo power.

Much related to the concept of contested multilateralism, the rise of China into the center of global and regional economic governance raises a question whether China will be a 'revisionist' or 'status quo'

power against the U.S.-led global governance. Some argue that China will never go beyond the current structure of global politics, let alone aligning its interests to the existing structure. Alastair Johnston puts an argument that it is difficult to determine whether China is a revisionist or status quo state, suggesting that China is “more integrated into and more cooperative within international institutions than ever before” (Johnston, 2003: 5). In contrast, although perceiving that China’s foreign policy has been increasingly active, Mitsuru Kitano understands that nationalism and domestic revitalization have pushed a stronger foreign policy, with which China will maintain status quo if it deals with the U.S. and demonstrates revisionist propensity in the regions where the U.S. has minor interest. This middle approach signifies that China would not be a revisionist as long as American hegemony remains (Kitano, 2011).

On the other hand, there are arguments that China will be a revisionist power to challenge the dominance of the U.S. in global politics. Thomas Christensen highlights that China’s baseline realpolitik view of international politics serves as the core of its foreign policy, where China’s elites are suspicious of many multilateral organizations, not only those devoted to the issue of economy and environment but also in non-proliferation and regional security issues (Christensen, 1996). Although China participates in the existing international institutions, it is merely for representation and respect to the other states as well as to ensure that cooperation will not hinder its objectives. Then, still emphasizing the revisionist stance of China, Feng Huiyun perceives that a set of operational code beliefs and strategic norms from Mao Zedong, Deng Xiaoping, Jiang Zemin, and Hu Jintao shape China’s foreign behavior to become a revisionist state (Huiyun, 2009).

Within this sense, the term ‘revisionist’ is similarly related to what Morse and Keohane define as ‘regime shifting’ and ‘competitive regime creation,’ in which dissatisfied coalition seeks to move to other existing institutions or to establish a new competing multilateral institution to challenge the goals, norms, organization, and principles of the previous institution. It signifies that a particular state, mostly new rising power, is not willing to align itself to the norms and practices of the existing multilateral institution, thus seeking a way to find another set of norms and practices. In short, the term ‘revisionist,’ ‘competitive regime creation,’ and ‘regime shifting’ share some important key points, including dissatisfaction, political dissonance, alternative, and change. It is good to note, however, that the term also possesses broader meaning and scope.

Thereupon, in this article, we challenge the prior perspective, argue that China’s ‘competitive regime creation’ approach is a logical consequence of its fiscal, and trade policy. However, as the term ‘competitive regime creation’ shares similar key points with the term ‘revisionist,’ we contend that China to a great extent will be viewed as a ‘revisionist’ state as it demonstrates essential efforts to change or to find the alternative from what is already available. In short, ‘revisionist’ implies an end, while ‘competitive regime creation’ signifies a means. The AIIB then is a means for China to play greater role in global politics as it challenges U.S. domination. However, given the fact that China is still a member of the World Bank and ADB, it is being a status quo power is also justified.

RESULT AND ANALYSES

WHY CHINA ESTABLISHED THE AIIB

The AIIB is the first multilateral financial institution created by China and immediately welcomed by many countries. The AIIB aims to fund the investment gap in Asia approximately USD 800 million per year until 2020. Compared to the World Bank and the ADB, this bank is a medium-sized one. The capital base of the World Bank and the ADB is more than USD 250 billion and USD 150 billion, respectively, whereas that of the AIIB is around USD 100 billion (Callaghan & Hubbard, 2016).

The initiative to establish a new multilateral bank was officially proposed by President Xi Jinping

before the Asia-Pacific Economic Cooperation forum in Bali on October 2, 2013. Five formal consultation meetings took place since then. Twenty-four Asian countries welcomed the initiative by signing a memorandum of understanding on October 24, 2014. Within the same month, a discussion as to how the voting shares would be decided has concluded a proposal agreed by the founding countries based on Purchasing Power Parity and GDP, as well as regions: Asia or non-Asia. According to the proposal, Asian members hold 75 percent of the total voting shares, with non-Asian members holding 25 percent (Weaver, 2015). As of October 2017, there are 58 members, with various voting share among them, and 22 prospective members of the AIIB (AIIB, 2017).

The U.S. had a diplomatic defeat after it failed to dissuade its closest allies (excluding Japan) from joining the AIIB. It is worth examining whether the AIIB will be China's tool to pursue its interests or to write new rules for international trade. The latter is what the U.S. has been anticipating. Interestingly, U.S. allies welcomed China's initiative in the AIIB as shown from their integration to the bank. The United Kingdom, for example, disregarded the U.S. pleas to not becoming a member of the AIIB and then joining the bank in March 2015. The United Kingdom's step was followed by Australia, New Zealand, South Korea, and Germany. The then U.S. Treasury Secretary Lawrence Summers stated that the U.S. has "lost its role as the underwriter of the global economic system," and the failure of the U.S. to persuade its allies to stay out from the AIIB has been a diplomatic triumph for China (Summers, 2015). The membership of AIIB is also marked with the integration of the South American and African countries. A non-sovereign state like Taiwan is even allowed to join AIIB, thus making this multilateral institution different from the ADB and the International Monetary Fund (IMF).

Why did China establish the AIIB? Daniel Chow offers three reasons to answer this question. First, the existing Western-led institutions (the Bretton Woods system, i.e., World Bank, IMF, and ADB) do not provide much space to act for emerging economies like China. Even though China is the world's second-largest economy, it lacks significant roles in these Western-led institutions. The voting power of China in the World Bank, IMF, and ADB are 4.61 percent, 6.09 percent, and 5.477 percent, respectively. In the ADB, Japan has more than twice (12.80 percent) of China's vote share, while the U.S. has 12.752 percent. These numbers make China a minor player in these institutions, making it possesses less space to maneuver in global political economy. Second, China wants to play a bigger role in infrastructure development in Asia, which approximately amounts over USD 8 trillion for the next ten years since it was established. The existing multilateral financial institutions are seen as incapable to supply this fund where the AIIB acts as a complementary. Third, the AIIB is China's direct response to the U.S. tendency to contain it from becoming a great power. U.S. failed attempt of persuading other countries to not joining AIIB only makes China extend the membership of AIIB to many more countries, showing to the U.S. that it is already a great, 'friendly' power (Chow, 2016).

Despite being only in its initial years, many have applauded the AIIB as an alternative multilateral financial institution that will play an important role in regional economic development. Xing Yuqing, for example, contends that there are at least four benefits that China may gain from the AIIB, so prompting for its establishment. First, the AIIB is considered as a platform for China to pave new channels for its Overseas Development Assistance (ODA) both bilaterally and multilaterally. According to the White Paper on China's Foreign Aid, from 2010 to 2012 approximately USD 14.4 billion has been given to developing countries in the form of bilateral ODA. While investigators criticized China's ODA as creating interdependence with the country, through the AIIB, the receiving states would be unlikely to have political strings attached to the donor states. This is because the assistance is channeled through the respective institution, not directly from a state—in this case, China.

Second, the establishment of the AIIB is thought as a part of China's fiscal policy as it has been progressing rapidly in economic development. Infrastructures such as railways, roads, and types of

machinery have been massively built to lubricate the economic activities. As the consequence, productivity increased significantly to feed the needs of the domestic market, even to the point where China can export on a large scale. Not only productivity increased, but China has also successfully hit USD 10 trillion in GDP, making it the world's second-largest economy. With an additional USD 3.2 trillion of foreign reserves and surpluses, China has an abundant amount of capital being accumulated. However, the progressive economic situation had to end up with stagnation. China's economy is reported to have been facing sluggishness as the capital accumulated has been circulating within, yet the development of infrastructure has already reached its peak. To put it in a simple way, China has nowhere to invest their capital. Therefore, this argument goes to say that the AIIB is a way for China to utilize the capital to invest abroad. Not only it serves the purpose of helping low-income countries, but it also keeps the capital flow run smoothly.

Third, creating the AIIB is also considered beneficial for China's trade. The new arising challenges on global trade governance from the new emerging powers in trade governance, represented by the 'New Quad' like Brazil, India, China, which have never become the part of traditional 'Old Quad' represented by mainstream Western bloc (composed of the European countries, the U.S., Australia, Canada, and Japan) is evident. These new bloc represents countries from 'Global South' which has brought about their growing relevance in global trade governance, manifesting their 'large and growing trade shares,' 'concerted activism' in the organization, 'growing presence in key decision-making fora' inside and outside the WTO, and inclusiveness in the organization (Narlikar, 2010).

The AIIB will help China to reduce constraints due to deterioration of its exports in the global market, especially in the wake of the global financial crisis. China's export declined sharply from 20 percent in 2008 to -2.8 percent seven years later. To overcome this, China is trying to fill the infrastructure development gap in Asia through the AIIB. As the AIIB serves to provide loan for infrastructures improvement in the developing countries, this indirectly helps China promote its exports, too, because of the enhanced accessibility. In the end, China would be able to improve connectivity with other countries, including creating initiatives for transportation and communication to promote economic cooperation. These would be very beneficial to sustain the economic growth of China's trading partners. China would understandably benefit from this situation: when the income of these countries rises, they will likely to open new markets for Chinese manufacturing products. As China needs to find other markets for its products, the AIIB could garner the potential markets for China's exports.

Alternatively, the AIIB will also provide China with a better opportunity in promoting its One Belt, One Road (OBOR, now Belt and Road Initiatives, BRI) strategy with its regional partners. It is evident that three major Chinese investors, namely China Development Bank (CDB), China Communication Construction Company (CCCC), and China International Trust Investment Corporation (CITIC) are backing up the grand projects of BRI. That said, AIIB would not only serve China's financial support but also function as a platform to negotiate and connect with the concerned countries. It is projected that from this situation, the AIIB will open a new pathway for China to gain more significant influence, steering regional cooperation by spearheading integrations of the member states (Yuqing, 2016).

Of all the reasons scholars propose on this issue, one cannot escape from the argument that China established the AIIB because it wanted to have a greater say in regional economic governance. While it may be true that China has benefited much from its involvement in World Bank, IMF, and ADB, but its minor position in those three institutions has prevented it from having more influence. This is demonstrated partially with the share of the vote China has in the ADB, such as compared to those of Japan and the U.S. A Japanese always become the ADB President, making this bank to become a Japan-dominated institution. On the other hand, in the World Bank, the U.S. holds the only veto power over

decisions by the bank. High officials in the IMF and the World Bank are mostly from the members holding the largest quotas in which China is not a part of, including the U.S., Japan, Germany, France, and the United Kingdom. These prove how the space available to China in these two institutions is limited so that it may be led to the creation of the AIIB. China's veto power over decisions in the AIIB is larger than its power in the ADB and the World Bank.

Therefore, there is a growing understanding that the ADB has been perceived as a rival for the AIIB, or rather the other way around. When Japan has been staying longer in the field with its ADB, China comes to the battlefield with their newly led AIIB. ADB president Takehiko Nakao would find his counterpart, or perhaps 'rival,' on then Chinese Finance Minister Jin Liqun, who was elected as the President of AIIB with a five-year official term. The competition of regional leadership between Japan and China is inevitable, particularly presented by both multilateral development banks. The timing of the establishment has risen the argument on how China's motivation in establishing AIIB is no other than the means to challenge Japan's leadership on financial assistance in Asia.

THE AIIB: CONTESTED MULTILATERALISM AND REVISIONIST-STATUS QUO STATE

One may argue that China's ambitious trajectory is driven by its desire to be an influential state not only regionally, but also globally. In addition to strengthening its soft power, China's pursuit of hard power is depicted through, among others, challenging the U.S. dollar in the global economy. As Renminbi is now included in the Special Drawing Rights basket, meaning that it is recognized as one of the major currencies accepted for international exchange, China also encourages its banks to provide more lending to companies as well as governments. China is advancing the AIIB operation to support its objective to acquire more economic power.

Those who watch China closely are understandably familiar with this argument: as China possesses much more economic and military power, it shall be regarded and respected as a great power. China wants to escape from the daunting images of 'the age of humiliation' and rebuild its position as an influential center of power. This has been true in post-Deng Xiaoping foreign policy, in which Chinese leaders have promoted various ideas and strategies, from Jiang Zemin's 'responsible great power' until Xi Jinping's 'new type of great power relations.' 'Hide your capabilities and be low profile,' as Deng used to call to Chinese diplomats, is considered as no longer relevant. This only prompted Western countries to accuse China of becoming 'free-rider': it enjoys many benefits from the international order without properly conducting its obligations. China counters this by arguing that the U.S. has always been containing it to become a responsible great power. The establishment of the AIIB can, therefore, be put within this context. In the words of Jeffrey Bader, former Director of the John L. Thornton China Centre, "There was thus a developing consensus, inside and outside China, that China should play a much larger role in the international system as a rule-writer and operator" (Bader, 2016: 5).

Playing a greater role internationally 'as a rule-writer and operator' is evident in the case of China's leadership in the AIIB. China does not want to be in 'the passenger seat of global governance' anymore (Legault, 2015). Realizing that it is very hard to acquire a larger share of the vote in the World Bank, IMF, and especially ADB, China seeks to create an alternative multilateral financial institution. In the AIIB China would possess large power, as it is the main source of the bank's capital and hold the veto rights. Providing most of the capital does not necessarily make China the dominant shareholder. Nonetheless, China persistently claimed that they are only a part of the *primus inter pares* member. However, the fact that China's leadership in the AIIB is more influential than in the ADB cannot be denied (Wang, 2016).

The establishment of the AIIB had been enabled by the size of China's economic power, which in turn will serve it with the largest share of vote in the bank's operation. This is simply an example of

'competitive regime creation' as argued by Morse and Keohane. The AIIB is set up as China wants to contest U.S. and Japan leadership in the multilateral financial institution. Herewith, China is implementing contested multilateralism. Its abundant resources of economic power and institutional advantage would encourage the likely success of the AIIB.

Creating a competitive institution to the Western-led ones, China can be seen as starting revisionist stance in international politics. Nevertheless, it is too early to argue that China would step up its revisionist stance by creating another alternative multilateral institution. The AIIB is soon entering the beginning of its third year of existence, and many have to be done to make it a success story of China's multilateralism initiative. One needs to comprehend the short and long-term capability of the AIIB to serve China's primary goal, i.e., becoming a great power that can influence the international order.

Interestingly, China does not want to quit those multilateral financial institutions it challenged with the setting up of the AIIB. China is still a member of the World Bank, the IMF, and the ADB. This fact underlines a very important principle of Chinese foreign policy, i.e. creating and strengthening favorable conditions and conducive environment to promote China's economic development. With regard to this situation, one could simply say that China is actually still a status quo power.

We understand that the AIIB demonstrate a unique position in China in terms of power at the international level. China is not happy with its share of influence in the existing multilateral financial institutions that it set up a new one ('revisionist'), but it is still a member of those institutions as it does not want to lose all benefits it has enjoyed ('status quo'). With regard to the AIIB, China is departing from being a 'free-rider' or sitting in 'the passenger seat,' but it will not embrace revisionist stance in full speed. The Beijing-based AIIB is an example of contested multilateralism—a means China can use to build its international image, to boost economic development, and to achieve its goal of becoming a great power—all of which revisionist and status quo would complement to each other.

CONCLUSION

This article understands that the creation of AIIB is about not only the implication of China's fiscal and trade policy or the initiative to solve the regional infrastructure gap in Asia, but also to challenge the power of the U.S. as well as Japan. It may be the main reason of the AIIB establishment, as China seeks to possess major influence to accommodate its growing political economy interests. Not only will the AIIB serve President Xi's goal of China having similar great-power status with that of the U.S., it is also a 'further proof of the rebalancing of the world economy,' as suggested by Pierre Gramegna, Luxembourg's minister of finance (Wong, 2016). In this sense, although China is not paving a way to be a full revisionist state, the way it contributes and involves in regional economic governance will always pose a serious concern of its domination in the global politics.

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