

UNDERSTANDING CHINESE STRATEGIES IN GLOBAL ECONOMIC GOVERNANCE

Vishal Sagar

Doctoral Candidate, International Organization Division (ORG), Centre For International Politics,
Organization and Disarmament (CIPOD), School of International Studies (SIS),
Jawaharlal Nehru University (JNU), New Delhi, India

ABSTRACT

China's impressive economic transformation in past few decades and the parallel advancement in military capability has spilled into a moment where it is ready for the next leap forward. This next level constitutes constructing parallel institutional paraphernalia to counter the hegemony of the West centered International Financial institutions (IFIs) especially International Monetary Fund (IMF), World Bank and Asian Development Bank (ADB). A lot has been written about the causes and implications (both regional and global) of China's rise in the global economic affairs, however, this paper touches upon the 'strategies' that China is adopting to attain its goal of 'pluralizing' the sphere of global economic governance. It should be noted that China is not behaving like a cynic who rejects the existing framework and proposes an alternative to it, rather it is carefully engaging with the existing system but also creating its own by seizing the right moment. The paper argues that China is likely to follow an opportunist approach which would be visible during at least under two circumstances- first, when the West is under crisis and second, when the Rest (developing-emerging world) is dissatisfied with the West.

Keywords: Global Economic Governance, AIIB, Beijing Consensus, BRICS NDB, CMI etc.

1. INTRODUCTION

Various scholarly attempts have been made to comprehend the implications of the rise of emerging powers on the institutions and the processes of western dominated global economic governance. Theoretical frameworks like power transition, long cycle theory, hegemonic transition etc. are deployed to present explanatory narratives concerning rise of the emerging world in general and particularly China (Stephen 2014, Rapkin and Thompson 2003, Ikenberry 2005). However, China's case seems unique and promising because China is not bound by US policy pressures that stifled Japan's regional desires in the form of its stillborn initiative- Asian

Monetary Fund. Moreover, China is also not limited by USSR's economic stagnation that didn't allow latter to create parallel or alternative institutions to counter western backed IFIs. Given China's economic might and its ideological rivalry with the West, China is likely to pluralize the sphere of global economic governance by establishing credible regional financial institutional architecture.

Nonetheless, hitherto evidence suggest that China is not conceiving its participation in global economic governance from a zero-sum perspective. Rather, it is following a dualist approach by pushing the reform of existing IFIs while at the same time forming its regional variants. It shows that China intends to play safe and do not aim to disturb the functioning of global financial landscape created post World War 2. This is true not only because China has gained from the existing system in the past but also because it is now looking to play a leadership role in the same institutions. However, the euphoria about playing a leadership role does not satiate Chinese hunger. Consequently, at times China is undertaking unilateral measures while at other times, it is forging partnership in various like-minded forums like Association of South East Asian Nations (ASEAN), Brazil, Russia, India, China and South Africa (BRICS) etc.

In response to the apprehensions raised by countries like US, Japan etc., Chinese leadership has declared that such initiatives are not substitutes but are complimentary to the existing system. However, the key point to observe is nature of the Chinese strategy in creating parallel institutions. The strategy mirrors an opportunistic behaviour wherein it seizes the moment caused either by the inability or unwillingness of the West or due to the dissatisfaction of the Rest (developing-emerging) world. Before examining the credibility of the evidence supporting the opportunistic claim, first it is necessary to evaluate China's engagement with the existing IFIs.

2. CHINA AND THE WESTERN BACKED INTERNATIONAL FINANCIAL INSTITUTIONS

The incentives for China to fundamentally challenge the present order are no less than imaginary. It is in China's interest to grow and become a rule setter by working within the current system. From being an active participant in existing IFIs, China can now play a leadership role (Jorgensen and Strube 2015). Lanteigne (2005) observes that China's active participation in existing IFIs is an indication of its quest to become a significant global player. Similarly, Zhao (2010: 70) contend that China's behaviour in countering American hegemony reflects the 'soft power' approach which entails effective deployment of diplomacy and relies upon active participation in existing institutions.

Scholars like Abdenur (2014: 94-95) perceive China's desire to engage deeply with the existing IFIs as part of a broader trend displayed by emerging world to seek greater representation in

global economic affairs by influencing the process of global agenda setting and policy formation. Some like Vieira argue that China's desire for greater engagement with IFIs (but with enhanced status) is driven by the notion of distributive justice in which China should be perceived as a voice of the Global South (Vieira 2012). Such claims about China's intentions seems to have enough validity in empirical data and observations. It can be illustrated through Chinese engagement with IMF, one of the key foundational IFIs created by US during the concluding days of World War II.

China is not only the founding member of the IMF but also the only¹ country from developing country to obtain a permanent seat in the Board of Executive Directors. However, at that time, China's seat was represented by nationalist government operating from Taiwan. The People's Republic of China (PRC) secured formal relationship with the IMF in 1980. In the past, China has been recipient of IMF credits on two occasions- 1981 and 1986 (IMF Website 2018).

Since China's first subscription to the IMF's quota requirement of SDR 1.2 billion in 1980, its quota size has continued to rise. It reached SDR 6.37 billion in 2001 which made China the eighth largest quota holder in the IMF. Following the implementation of governance reforms (agreed in 2010) in 2016, China's quota share increased to 6.44 percent (SDR 30,482.9 million) and its voting rights to 6.09 percent of total votes (ORF 2016). Although China welcomed the long pending governance reforms but regarded it a tiny step towards a correct path.

China has also acknowledged the significance of IMF's technical expertise at the crucial moment of its economic transformation. During 1980s when China decided to adopt the dominant principles of global economy, it hardly had any knowledge or institutional back up to do so. China's financial set up was completely different from the west as it had a single Mono-Bank that controlled all transaction of the country and also acted as the Central bank. Thus, China turned to IMF's expertise to understand the ways for successful integration in the global economic system. However, on the issues of technical advice and policy prescriptions, China has been both choosy and cautious. Provided its background of a closed economy prior 1978 reforms, China has welcomed technical assistance offered by the IMF. This collaboration has been uncontroversial since the programmes have been initiated at the request of the Chinese authorities. Moreover, IMF technical training modules have focused on the methodological issues like reporting forms, data collection and process methods. These programmes do not risk

¹ Though India was also permanently represented in the IMF Board of Executive Directors till 1971 when Japan's economic resurgence forced India's departure. However, India's inclusion till 1971 was a result of Soviet Union's boycott of IMF and henceforth as the sixth largest contributor, India attained a permanent seat automatically without undergoing the process of election. ^{See also} Deepak Mehta, India in International Monetary Fund, PhD Thesis 1997.

being considered as IMF attempts to dilute independent decision making capabilities of China (Ferdinand and Wang 2013: 901).

Given China's commendable economic rise, IMF has shown appeasing tone. The former IMF MD, D. Strauss Kahn, embraced the formation of G20 at heads of government level in 2008 as a historic development and while acknowledging the importance of Asia, particularly China, remarked-

“The world order is changing. Asia will play a vital part in making the most of this historic opportunity. And China, no doubt, will play a leadership role in making the changes needed to embark on a new growth path that secures long-term economic success for all nations” (IMF 2009).

In recent years, IMF has taken steps to accommodate Chinese ambitions by offering few top positions to Chinese nationals. In 2011, Mr. Zhu Min was appointed as the Deputy Managing Director of the IMF. Following this, IMF has taken steps to recruit more staff from the emerging and developing world under its ‘diversity principle’. On 8 July 2016 IMF MD Lagarde announced the proposal to appoint Mr. Tao Zhang as the next Deputy Managing Director of the IMF. In her words-

“I am very pleased to propose Tao Zhang as the next Deputy Managing Director. Mr. Zhang brings a strong combination of international economic expertise, public sector policy making, and diplomatic skills. He also has extensive experience with international financial institutions, excellent communication and negotiating skills, and a superb knowledge of IMF policies and procedures. Indeed, he is very well known and highly respected here at the Fund, having served as Executive Director for China from 2011 to 2015” (IMF 2016)

In yet another move to accommodate Chinese aspirations, Chinese Yuan was included in the IMF's Special Drawing Right (SDR) basket of currencies in 2016, till then composed of US Dollar, British Pound, Euro and Japanese Yen. Nonetheless, it seems that such steps have fallen short of preventing China from undertaking the project of ‘pluralising the field of global economic governance’.

Many scholars argue that China's quest for creating new institutions like Asian Infrastructure Investment Bank (AIIB) is a result of growing dissatisfaction at the glacial pace of reforms in existing IFIs like IMF, World Bank, ADB etc. (Chin 2016, Strand and Trevathan 2016). As Truman (2015: 2) noted-

“The world needs the IMF to function for the benefit of strong and troubled countries alike. Its participation in the stabilization programs for countries in financial crisis in Europe from Ireland to Ukraine was only the most recent example of its indispensable role. But China and other countries have grown wary of the Fund’s governance because they see it as failing to recognize their increasing importance in the world economy”.

China’s resolve for establishing new institutions also emanate from the American position to shrink the size of fund availability to China requirement during 2004 and 2011. During this time-period, US supported only half of ADB projects and about forty percent of World Bank projects for China (Strand and Zappile 2015). Noting this, some observers like Solana (2015) have commented that China’s initiatives are not revisionist but ‘reactive’ in character. Nonetheless, China has followed a careful opportunistic strategy of filling the gaps left by the West in the field of global economic governance.

3. CHINA’S INSTITUTIONAL RESPONSE TO THE OPPORTUNITIES

This section investigates the ‘modus operandi’ in China’s foreign policy designs pertaining to the goal of creating parallel institutions to pluralize the territory of global economic governance. The Chinese approach mirror opportunistic behavior wherein a new institution or arrangement is created by seizing the right moment.

3.1 Asian Financial Crisis and China’s Partnership with ASEAN

One of the earliest moments that came China’s way was the Asian financial crisis of 1997 that put an abrupt break on the impressive growth stories of the South East Asian economies (Indonesia, Malaysia, Republic of Korea, Thailand, Hong Kong and Philippines) and spilled into a new phase of regional economic collaboration in East Asia. The central aspect of the crisis was the imbalance in the capital account caused by rapid outflow of capital causing steep fall in the currency value of East Asian economies. Not only were the crisis painful but the adjustment that these economies had to undergo under the ‘harsh’ treatment of IMF taught them a lesson for the future. The lessons drawn from the crisis and the alleged IMF’s arrogance culminated into the institutionalised outcomes like Chiang Mai Initiative (CMI) and Asian Bond Market Development Initiative (ABMI) (Bergsten 2000, Henning 2002).

It was believed that the 1997 Asian financial crisis were exacerbated by the faulty policy prescriptions offered by the IMF e.g. tight fiscal policy at the time of falling aggregate demand in Thailand; excessive structural arrangements in Indonesia; small size of financial support especially to Thailand amount to \$17.2 billion etc.; premature closure of 16 banks in Indonesia

ignoring the need for securing bank deposit guarantees etc. (Kawai 2015: 5). The impact of the crisis was severe comprising plummeted stock prices, fall in the currency value, depletion of forex reserves, credit contraction, recession etc. (Das 2013).

The reeling economies learnt key lessons- sole reliance on IMF as a crisis manager was a bad policy choice; a regional self-help currency pool can help wither future crisis without resorting to IMF; and regional interdependence stipulates creation of effective regional financial framework (Kawai 2015: 5). The pace at which Asian economies fell showed the domino effect and convinced China about its own economic interdependence on neighbors and the importance of regional stability (Zhengyi 2004). Consequently, China reoriented its policies towards shouldering greater regional responsibility and extracting benefits out of it (Das 2013). China capitalized on the disillusionment of Asian economies fostered by the alleged IMF's mistreatment and in accordance with its strategy seized the moment to get cozy with its neighbors to push its broader agenda of pluralizing the sphere of global economic governance.

Following the financial crash and harsh conditionalities dictated by IMF, the ASEAN members approached Japan, China and South Korea (ASEAN +3) for economic relief. In 1998, during their meeting in Hanoi, China recommended interaction at Finance Minister and Central Bank Governor level to explore the possibilities of regional financial cooperation. While meeting on the side-lines of Asian Development Bank Board of Governors Annual Summit in 2000, ASEAN+3 announced cooperation in four areas- "monitoring capital flows, swap networks, regional surveillance and training personnel" (ASEAN+3 2000).

The CMI was launched as bilateral swap arrangement in 2000 and was upgraded in 2009 as Chiang Mai Initiative Multilateralization ADD that transformed it into a regional reserve pool. Bergsten (2001) characterized CMI as a stepping stone towards realizing the wider idea of Asian Monetary Fund. The CMI along with integration of trade networks shall eventually result into East Asian Economic Bloc.

Another Asia centric initiative that came to surface post Asian financial crisis is ABMI. The ABMI was launched in 2002 by ASEAN+3 (acronym associated with ASEAN plus China, Japan and South Korea) which is directed at cushioning bond markets in Asia. It relies on the assumption that 'deep, liquid and mature bond market' can serve as catalyst in converting large savings into long term productive investment. It would also rectify the double mismatch of currencies and maturities (Japan Bank for International Cooperation Website 2018, Asian Bonds Online Website 2018).

Reacting to such moves, former IMF MD, Dominique Strauss Kahn proposed to multiply the IMF resources to \$2 trillion to arrest the tendency towards 'reserve anxiety' shown by developing

states. According to this view, such extensive resource availability with IMF would discourage developing countries from piling up massive foreign exchange reserves which has caused global imbalances. However, observers like Aiyar rebuff such claims in the wake of the recent steps taken by emerging world e.g. CMI. Although attempts were made during the 2007 crisis to resurrect the relevance of IMF by offering the flexible credit lines but only Poland, Mexico and Colombia availed the service. The vision of transforming flexible credit lines into global insurance facility is impeded by the deep mistrust shared by developing-emerging world about the IMF's operational motives (Aiyar 2010: 492-493). Thus, there is some evidence to believe that Chinese strategy is working out and its sphere of influence is likely to enlarge.

Showing symptoms of a responsible global leader, the 21st century China has transitioned from a recipient of foreign aid into a bilateral and multilateral donor (Chin 2012). In pursuance of its opportunistic strategy of seizing the moment, the main recipients of the Chinese aid are those states (e.g. Myanmar, Iran, Cuba etc.) that were denied aid by the West (Strand et al. 2016: 62). In 2005, China became the first country from the non-western world to establish a special fund in ADB in the form of PRC Regional Cooperation and Poverty Reduction Fund. The stated objective of the initiative is to help developing member states of ADB in addressing poverty related issues. The funding is led by China and the initiative contains elements like institutional or capacity building, innovative projects, knowledge sharing etc. (ADB Website 2018). Through these enterprises, China intends to convince the developing world about the desirability of Chinese leadership in resolving tough issues like entrenched poverty.

Later in 2010, ASEAN+3 formed Credit Guarantee and Investment Facility (CGIF) to secure long term investment and ensure financial stability. It is funded by ASEAN+3 and ADB. The facility offers guarantee on local currency denominated bonds that are issued by companies in that region. On one hand, this guarantee facilitated issuance of bonds for longer maturities while on the other hand addressed the problem of currency and maturity misalignment. The initiative was projected as a necessary learning outcome of the Asian financial crisis and is expected to save the region from the volatility of capital flows (ADB Website 2018).

It is worth noting that the series of initiatives commenced under the Chinese leadership (or co-leadership) in the aftermath of Asian financial crisis reflects a foundational policy change. Earlier, China was reliant upon the principle of 'Buyao Dangtou' meaning 'not seeking leadership'. This principle was the hallmark of Deng Xiaoping's policy guidelines who believed that China should not appear too intrusive in its regional or global aspirations. Moreover, China must also not undertake regional or global responsibility that it may later find burdensome (Das 2013). By that account, China's resolve to assume leadership role in not just assisting

neighboring countries during troubled times but also laying down groundwork for institution building marks a significant departure from earlier policy blueprints.

3.2 Asian Infrastructure Investment Bank (AIIB)

The AIIB was announced functional in 2016 with an initial capitalization of \$100 billion (Mishra 2016). To assuage the apprehensions of many who proclaimed AIIB as anti-World Bank, Article 1, Section 1 of the AIIB's Article of Agreement specify that the AIIB is formed to work in close collaboration with the other such regional and global institutions. To counter one of the scathing criticism raised by the apologists of World Bank and to portray AIIB as a responsible actor, one of the provision says that the AIIB will scrutinize the environmental as well as social effects of the lending projects before finalizing the loans (Perlez 2015, Strand and Trevathan 2016: 138-139).

Nonetheless, US opposed the formation of AIIB and unsuccessfully lobbied its allies against joining AIIB. However, it could not stop even its most time-tested ally, Britain who became the first Western state to join AIIB followed by France, Germany and Italy (Perlez 2015, Strand and Trevathan 2016: 138-139). The success and global acceptance of AIIB can be gauged from the observation that on 2nd May 2018, AIIB approved membership of Papua New Guinea and Kenya raising its total approved membership to 86 (AIIB Website 2018).

The rationale behind AIIB's creation lie in the Chinese strategy of identifying the gaps or discontent left by West. China has cautiously understood the Achilles heel (conditionality programmes) of emerging-developing world vis-à-vis Bretton Woods institutions. As discussed earlier, during the Asian financial crisis, the struggling Asian economies were rescued only after their submission to IMF conditionality programmes. The helpless economies were profoundly at pains with what they called a harsh treatment. Most countries find IMF or World Bank conditionality measures as encroachment on their economic sovereignty. This can be substantiated by reviewing the domestic implications of India-IMF partnership.

In 1965, Indian economy was facing crisis including those related to food shortages. The Johnson Administration in US was not appreciative of the Indian critique of US war in Vietnam and wanted India to do more for itself in terms of self-sufficiency before the American aid is provided. The deal was struck in which India had to initiate economic reforms like currency devaluation, tighten credit, and reduce public expenditure etc. (approved by IMF, World Bank and US) in exchange for a loan (Chaudhry et al. 2004: 61-63). The deal created pandemonium in India in which the government was castigating for devaluing Indian currency by 37 percent and accused of selling India's non-aligned policy. As Malhotra (1989: 99) observed-

“All hell broke loose. Public opinion was aroused as never before except against the Chinese invasion four years earlier. The entire opposition, from the extreme Left to the extreme Right, condemned devaluation unequivocally”.

In the light of such immense domestic pressure, Indira Gandhi government decided to abandon important elements of deal. Consequently, most aid providers withdrew their aid packages. The deal turned out to be a disaster for Congress party who lost substantial political space in 1967 elections. As a result, India kept IMF at arm’s length till 1980. In 1980, Indian economy once again faced crisis driven by oil shock and steep fall in agricultural output. Although the memory of previous engagement with IMF was still fresh in the minds of Congress Party yet it did not prevent it from taking a bold move at the right time. However, the lesson learned by Indian government resulted in the adoption of a strategy of what came to be known as ‘home grown conditionality’² (Chaudhry et al. 2004: 63-64).

To pre-empt domestic concerns and protests, Mrs. Gandhi announced in Indian Parliament that any engagement with IMF would be based on the principle of transparency and be subservient to India’s national interest. Nonetheless, as the negotiations occurred, the left parties in India geared up for a showdown against what they called as ‘neo colonial and anti-democratic’ engagement (Chaudhry et al. 2004: 72).

The CPI (M) secretly obtained a copy of the letter of intent (submitted by the Indian Finance Minister to the IMF MD) and the IMF Executive Board summary of the loan agreement. The West Bengal government issued a white paper- ‘IMF loan-Facts and Issues’ and along with the left oriented economists declared that the arrangement compromises Indian sovereignty. They argued that the loan is both inflationary and austere in character. Moreover, it restricts India’s ability to enter bilateral agreements with socialist countries and hinders fund raising from the commercial market (Chaudhry et al. 2004: 72). Similarly, in 1991-992, when Indian P.M. Narasimha Rao looked at the Fund to solve BOP crisis, he was accused of selling India’s economic sovereignty. Thus, India’s engagement with the IMF has always been structured by the domestic political spectrum which contains highly vocal domestic opposition especially the left parties (Bhattacharya 2010: 43).

Such loathsome perception at conditionality is not just restricted to Asian countries. For instance, Kenya’s decision to become AIIB member reflects similar sentiments about Bretton Woods institutions. As Ken Ogembo, lecturer at Kenyatta University aptly remarked-

² Serious of policy initiatives taken by Indian government before approaching IMF for loans to appear not surrendering to IMF diktats. ADD

“Kenya’s lag in infrastructure development for many years can be directly attributed to the conditionalities of the World Bank and IMF. This is a mistake that the country does not want to repeat again and therefore the choice to join a tolerant financial development institution” (Xiaopeng and Musyoka 2018).

Furthermore, Ogembo elaborated Kenya’s discomfort through an instance of a proposed overpass (along Nairobi’s main traffic artery) of Uhuru Highway envisaged as necessary step to overcome traffic congestion. Although the project was approved by Parliament in 2008 but the “World Bank withdrew at the eleventh hour. To date, the road has not been done” (Xiaopeng and Musyoka 2018).

Given such accounts, it comes as no surprise that China has marketed AIIB as a ‘recipient friendly’ institution and unlike traditional IFIs devoid of much disgraced conditionality and structural adjustment programmes (Harpaz 2016: 125). In contrast to the western states and Bretton Woods institutions that promote neo-liberal consensus alongside economic relations with the partner states, Chinese economic engagements mirror ‘no string attached policy’ (McFarland 2017). Inevitably, for capital seekers, such condition-less finance comes into sight as an attractive alternative to traditional IFIs. In this sense, China is altering the norms associated with processes of global economic governance. Mishra (2016) perceives AIIB’s creation as a Chinese signal that it is uncomfortable with the existing global financial framework whose structure, norms and practices reflect Western ideology.

In the words of Mishra (2016: 4), AIIB represents “Asian Face with China at the driver’s seat”. This assertion could be supported from the fact that three-fourths of capital of AIIB emanates from Asia. Unsurprisingly, the largest contributor happens to be China which also gave it de facto veto with over 26 percent votes. The allocation of votes is based on weighted voting system depending upon the size of member’s national product. Others like Callaghan and Hubbard (2016: 117) conceive AIIB as a part of China’s grand strategy and a stepping stone towards realizing Xi Jinping’s vision of One Belt One Road (OBOR) initiative³.

3.3 BRICS NEW DEVELOPMENT BANK (NDB)

The Multilateral Development Banks (MDBs) both at the universal and at the regional level have left infrastructure needs of the emerging-developing world at the back burner which impelled the BRICS economies to assume leadership in this domain. The calls to fill the infrastructure

³ OBOR project aims at upgrading connectivity and cooperation among states of Asia, Africa and Europe. It is widely regarded as a masterpiece of China’s economic diplomacy and President Xi Jinping’s dream project.

investment finance have been ignored even after its explicit recognition in the G20 2010 Seoul Summit.

As early as 2008 G20 Summit, Indian P.M. Dr. Manmohan Singh identified the significance of infrastructure investment to resolve the impact of global financial crisis. His conviction of the same can be gauged from the following belief he held-

“Depressed global economic conditions are likely to produce a downturn in private investment in developing countries which will worsen recessionary trends. One key measure to counter this development is to expand investment in infrastructure by the public sector and also the private sector where possible as a counter-cyclical device that would stimulate demand and lay the conditions for an early return to faster growth” (Embassy of India, 2008).

As a corrective measure, he proposed that-

‘the World Bank/IFC and the Regional Development Banks should aim at making an additional \$50 billion per year in support of infrastructure development in the public and private sectors. This window can be wound down once normalcy returns to global capital flows’ (Embassy of India, 2008).

These calls were accepted only on papers which toughed Indian stand on seeking alternatives giving shape to BRICS's NDB. India considers NDB as a promising source of finance for meeting its own massive infrastructure development needs. India has traditionally relied heavily on the World Bank for infrastructure financing, however its eligibility to receive loans from the International Development Association (IDA) is increasingly questioned. Without hesitation, Indian officials became one of the leading advocates for the NDB (Ministry of External Affairs, India 2012).

The idea of BRICS Bank was floated during the 2014 BRICS Summit. The Chinese strategy is based on the ground reality of infrastructure investment gaps voiced not just by countries but also by regional banks like African Development Bank (AfDB), ADB etc. (Chin 2014: 368). The NDB is located at Shanghai and its mandate include both handling financial crisis and offering infrastructure loans. Traditionally, the role of a financial stabilizer is played by IMF and mandate of development loans falls under the jurisdiction of World Bank. On 21 July 2015, The Times of India reported that BRICS Bank is launched as an alternative to World Bank and IMF. The Bank is marketed as a bridge that would fill the gap left open by the Western backed conventional IFIs. The gap is the paucity of infrastructure oriented funds and the NDB undertakes to offer ‘tailor made services’ to its clients (The Times of India 2015).

On July 23, 2014, The New York Times published an editorial entitled- “The Challenge From BRICS”. It opined that the China led BRICS Bank is created to challenge the US led economic order. While assessing the intentions of BRICS members, the piece noted that Brazil and India blame West for the 2007 global turmoil that suffocated global economic growth. India and South Africa are eagerly looking for infrastructure oriented capital without any conditionalities. China is looking to break the near monopoly of American dollar as a currency of global transactions. Russia bearing the brunt of Western sanctions after Crimea’s annexation and facing isolation post its ouster from G8 is also more than willing to challenge the US dominated economic order (New York Times 2014). Thus, by leading the formation of institutions like NDB, China not just supporting development needs of emerging-developing world but also making its way towards pluralising the field of global economic governance.

Illustration 1: International Parallel and Alternative Structures Promoted by China



Source: Heilmann et al. 2014, China Monitor, 18, 28th October 2014, pg. 2.

Taking note of the proliferation of Chinese backed shadow institutions, Mohan and Kapur (2015: 50-51) states- “The international financial architecture to deal with global financial stability and

resolution of crises is much more dispersed beyond the IMF than was the case until the turn of the century”.

The BRICS Contingent Reserve Arrangement (CRA) and CMI quite clearly appear as a parallel development to the IMF. In this strategy, China is capitalizing on the discontentment of certain states with IFIs and looking to engage them at a time when they are seeking alternative routes to financial security. The place of IMF in the overall scheme of developed-emerging world substantially diminished in the wake of the lessons they have learnt from the IMF’s aggressive approach in the past. The Asian economies have accumulated massive foreign exchange reserves to reduce dependence on IMF during crisis (Mohan and Kapur 2015, Momani 2013: 145).

The BRICS CRA was invented in 2015 as a framework to provide additional liquidity to BRICS economies during crisis. It offers precautionary funds to correct Balance of Payments (BOP) position. The capital contribution of CRA is \$100 billion and its share is among BRICS is as follows- China (\$41 billion), India (\$18 billion), Russia (\$18 billion), Brazil (\$18 billion) and South Africa (\$5 billion) (BRICS Ministry of External Relations 2015). In the post-World War II economic order, the task of assisting countries in correcting their BOP status has been one of the fundamental objective of IMF. Quite clearly, the BRICS CRA’s functional scope overlaps with the original mandate of the IMF.

The launch of number of shadow institutions and arrangements by China shows that it is capitalizing on historic opportunities that are coming its way in various forms like 1997 Asian financial crisis, 2007 global crisis, disillusionment of developing world with the modalities of traditional IFIs etc. Since most of these initiatives are relatively new and not enough data exist to evaluate their performance. Nonetheless, the extent of support they manage to garner from the rest of the world shows the confidence they entail.

3.4 China’s Ideational Alternative.

The causes, course and effects of Asian financial crisis spawned sizable suspicion among the crises ridden economies on the issue of the efficacy of free market precepts promoted by IFIs. Excessive reliance on liberal free market principles showed significant fault lines that proved strong enough to turn the course of Asian miracle into worst nightmare. On the other hand, China not just weathered the crisis but also resolved to play a more prominent role in regional economic affairs. The suspicion about flaws inherent in neo-liberal principles turned into conviction when the Western financial system blew apart in 2007. The US and Europe significantly contacted while the East suffered much less. The time was ripe for China to propose an idea that can counter the Washington Consensus.

Surprisingly, when the idea of Beijing Consensus was first coined by Joshua Cooper Ramo, an American economist in 2004, it did not find resonance in China's policy circles. Indeed, China has shied away from taking ownership of any ideational alternative to Washington Consensus. It is argued that this silence can be attributed to the China's acknowledgment of American sensitivity towards rival ideology. Moreover, the celebrated term, 'China's peace rise', has started to dwindle after Chinese officials realized the unwanted and potentially dangerous inferences drawn from the word- 'rise'. The former Chinese propaganda officer, Zhao Qizheng, claims that he prefers to use 'China Case' than 'China Model'. Moreover, China is diffident in making tall claim of finding an alternative to Washington Consensus as it is not yet clear to them whether they have found the correct path (The Economist 2010).

Nonetheless, since its promulgation, the concept of Beijing Consensus or Chinese model has gained striking attention in developing world. Conceptually, it offers a possibility of fast economic growth without political liberalization. It is model that values non-interference and self-determination. By its nature, it's an alternative to the 'one-size fit all' approach nurtured by Washington Consensus. Stephen Halper, in his book 'Beijing Consensus' characterize it as a form of "illiberal state-directed capitalism" in which state control vital sectors like energy, heavy industry, transportation etc. Joshua Ramo Cooper defines Beijing Consensus as an approach that adopts market economy principles while ignores democracy and human rights (Cooper 2004: 29).

Irrespective of China's recognition of Beijing Consensus or China Model as an alternative to Washington Consensus, it has garnered significant support from large number of states. The failure of Washington consensus based policies in developing states coupled with the success of China's model illuminates Beijing Consensus as an effective alternative. In this context, J.C. Ramo has contended that-

“China is marking a path for other nations around the world who are trying to figure out not simply how to develop their countries, but also how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful centre of gravity” (World Foresight Forum 2011).

The Asian countries taking inspiration from China focused on attracting FDI instead of borrowing capital from rich countries or banks. China attracted foreign capital through Special Economic Zones (SEZ) since such assets cannot be easily withdrawn during crisis. The foreign capital has been substantially supported by the massive profits that Chinese companies have invested in China. Its success convinced many states to view it as a promising alternative to

‘Washington Consensus’. (Ferguson 2008). Noting the importance of Beijing Consensus, Alain Gresh (2008) noted-

“that for the first time since decolonization, the countries of the South can follow their own directions and able to find partners, state and businesses not tied to US vision. ‘Countries can plan their own development without having to accept the unfavourable terms of the old Washington Consensus’”.

The appeal of Beijing Consensus can be computed by considering its wide acceptance. In the words of former Malaysian P.M., Dr. Mahathir Mohamad- “Beijing Consensus shows that having a non-democratic country can also give a good life for the people”. He regarded democracy a “failed ideology” and Chinese authoritarianism as a model “worth studying”. Similarly, Nabil Sukkar, Managing Director of the Syrian Consulting Bureau and Investment claims that- “We are making some political reforms, but slowly. We can make economic reforms without political reforms like China, which is doing very well” (World Foresight Forum 2011).

Commenting on the applicability of Chinese model in Africa, former President of South African, Thabo Mbeki opines that - “At the Heavenly Gate in Beijing hope is born.” Finding similarity between Venezuela and Chinese economy, former Venezuelan President Hugo Chavez observed that - “China and Venezuela’s economies, dominated by major state owned companies, offer the world a healthy model for growth as the global financial system crumbles”. (World Foresight Forum 2011).

Former President of Zimbabwe, Robert Mugabe has not just endorsed the China model but also urged other states to emulate it. Elaborating further, he suggests that - “China has been able to develop its economy without plundering other countries and the Chinese economic miracle is indeed a source of pride and inspiration.” Speaking for Global South, former Brazilian President Lula da Silva once noted that - “China’s approach should serve as a paradigm for South–South cooperation.” Finally, the former President of Botswana, Festus Mogae asserted - “I find that the Chinese treat us as equals. The west treats us as former subjects (World Foresight Forum 2011.”

Given these statements and opinions, it would be no exaggeration in saying that Chinese model or Beijing Consensus has gained significant ground. Infact, it appears that since the collapse of USSR in early 1990s, the authoritarian states for the first-time regaining confidence in their political and economic system. From the vantage point of authoritarian states, a model containing the possibility of rapid economic growth without political liberalization is no less than a messiah.

CONCLUSION

Every hegemon relies upon diverse tools to ensure sustenance of the order it creates. The US hegemony since World War II has rested on all three aspects- hard, soft and structural power. To upgrade its hard power, China has been substantially investing in military modernisation programme but at the same time do not want to appear as a regional or global threat. In the domain of soft power, Beijing Consensus has emerged as noticeable model. Unlike the apprehensions on explicitly promulgating its soft power, China is not implicit about its intentions in the realm of structural power.

The creation of institutions as global and regional public goods in the form of CMI, AIIB, NDB etc. demonstrates this resolve. China's dominance in such institutions can be gauged from different angles. China is the largest funder of AIIB and enjoys veto. Although NDB is based on the principle of equality all members of BRICS yet its location signals China's superiority. According to the convention, the most influential member of an organization usually host the headquarters office e.g. Bretton Woods institutions are stationed in Washington DC (US), Germany being the largest EU economy hosts the European Central Bank in Frankfurt etc. Similarly, China which is regarded as second most influential country in the world after US hosts both AIIB (Beijing) and NDB (Shanghai).

Nonetheless, Given Chinese awareness about American sensitivity, China has time and again reinforced the collaborative nature of its institutional initiatives. However, the incremental steps that China is taking point at China's vision to gradually break the monopoly of western backed economic order into one featuring plurality of institutions. Certainly, China is not interested in breaking the traditional order but surely aiming to break its monopoly in the domain of international finance. Consequently, the traditional IFIs are likely to face implications in terms of their decreasing relevance in the nascent order where parallel Chinese backed regional institutions operate to find their niche.

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