

Global Economic Governance between China and the EU: the case of the Asian Infrastructure Investment Bank

Silvia Menegazzi¹

Published online: 12 April 2017
© Springer-Verlag Berlin Heidelberg 2017

Abstract The recent establishment of the Asian Infrastructure Investment Bank (AIIB), the initiative launched by the People’s Republic of China in 2013 underpins Beijing’s intensions to promote its own narrative about global economic governance (GEG) as well as China’s readiness to play a far more proactive role at the international level. In the age of global power shifting and with 14 EU member-states part of the AIIB, the European Union (EU) necessitates to engage further with China, in particular, within the context of multilateral institutions. This article analyses the impact of China’s evolving global governance policies on the EU. China’s and EU’s approaches to the reform of global governance present both differences and similarities, yet, the article highlights EU’s needs to make sense to what extent China’s growing ascent in the realm of global governance is reshaping world’s regional and global architectures vis-à-vis financial multilateral cooperation.

Introduction

The rapid ascent of China in the realm of global governance is definitely giving way to a shift of power distribution from West to East. In particular, concerns have been expressed that China will seek to establish a new, but different, international order (Schweller and Pu 2011). China and Europe are today regional powers with global interests, yet increasingly proximate than ever before (Geeraerts 2011). Within such a framework, the European Union (EU) seizes political and economic opportunities vis-à-vis China’s multifaceted connectivity, i.e., the Asian Infrastructure Investment Bank (AIIB) or the ‘Silk Road Economic Belt and New Maritime Silk Road’ (Belt and Road, B&R). More practically, the many challenges faced by the EU are given by the

✉ Silvia Menegazzi
smenegazzi@luiss.it

¹ LUISS Guido Carli University, Viale Pola, 00198 Rome, Italy

growing opportunities represented by China's return on the world scene—so-called 'rejuvenation'—among which is the priority to guarantee and preserve growing political and economic interests at stake. The analysis of this article will focus on the establishment of the AIIB, the initiative launched by the People's Republic of China (RPC) in 2013 and on the EU's reactions to such initiative. The intent is to offer an in-depth analysis about the impact of China's evolving global governance policies might have on the EU. The paper moves on two main assumptions. First, the AIIB represents a paradigm-shift vis-à-vis global economic governance (GEG) as a consequence of China's growing dissatisfaction towards the existing architecture of international financial institutions (IFIs) (Dove 2016). China is no longer the developing country it used to be in the past, and Chinese efforts to promote the AIIB should be understood not just as an attempt adopted by Beijing to promote its 'own' rationale towards a new, Chinese-led regional economic order, rather, as an integral part of China's readiness to play a more proactive role at the international level, economically and politically. In this light, does the AIIB constitute a complement or an alternative to existing financial multilateral institutions? Second, in an age of global power shifting and with 14 EU members now part of the AIIB—Austria, Denmark, Finland, France, Germany, Hungary, Italy, Luxembourg, the Netherlands, Poland, Portugal, Spain, Sweden and the UK,—the new initiative highlighted EU's necessity to further engage China in the context of multilateral governance while promoting common interests. Yet, to what extent the creation of new, Chinese-led financial institutions will fit with on-going regional initiatives already launched by the EU, i.e., the Juncker Plan? Together with other initiatives already initiated by China, the AIIB represents the intent of a 'rising power' to reform the post World War II international order. The AIIB is not the only regional initiative launched in the economic-financial domain by China. With the New Development Bank of BRICS (BRICS New Development Bank) and the Silk Road Fund, two other financial institutions launched in 2014 China clearly intends to play an increasing role vis-à-vis the complex architecture of GEG. In the near future, all such projects might constitute the financial engine to a new development model totally led by China, with the B&R initiative at the top. In this light, the need to fully understand the real vision of what such a new economic/financial order means to China and what the consequences will be for the rest of the world appear on the square. As far as Asia is concerned, the EU intends to become an accountable actor vis-à-vis developmental policies and economic growth in order to position itself as a 'committed and constructive' political and security actor (EEAS 2015) in the region. Simultaneously, the EU needs to make sense to what extent China's new multilateral tendencies might reshape the world's regional and global architectures, and to what extent China's economic governance approach will change the future landscape of the EU-China strategic partnership. Going beyond the stage of mainly inward-looking EU studies and traditional comparative studies, the article does not consider the EU as a 'unique' case, but rather, an international actor contributing to the reshaping of global governance and international relations' complexities. The article is divided into five sections. Following the introduction, section 2 outlines the background and the governance structure of the AIIB. Section 3 considers how China's multilateral tendencies are shaping its role in the global governance system. Section 4 evaluates EU's response vis-à-vis the establishment of the AIIB. Section 5 will discuss future implications in the light of the EU-China strategic partnership.

The establishment of the AIIB

The AIIB is a Multilateral Development Bank (MDB) announced by Xi Jinping on the course of a state visit he made to Indonesia in 2013. The bank has been founded with the intent to coexist with other IFIs, prime among which, the World Bank (WB), the International Monetary Fund (IMF) and the Asian Development Bank (ADB). Established in the aftermath of the Second World War (respectively, 1948, 1945 and 1966), these international organizations (IOs) are often harshly criticized by China. American-led- and in the case of the ADB, Japan-led- IOs did not, according to China, provided enough 'institutional adjustments' in line with developing countries' requests. For instance, as far as Asian countries are concerned, dissatisfaction with the IMF resulted because of the significant under-representation and incommensurate quotas they obtained vis-à-vis their relative high economic weight in world economy (Rapkin and Strand 2003). In the case of China, growing frustration resulted following the unfeasible 2010 IMF Reform, which would have seen China's voting share increasing from 3.806 to 6.071%, strongly promoted by the IMF Board of Governors but never ratified by enough member states (Ferdinand and Wang 2013: 898). Simply put, to China, existing IOs incentivized the dominance of the legacy led by USA, Japan and Western European countries (Strand et al. 2016).

The AIIB has officially inaugurated its workability on December 25, 2015, after 17 countries (the so-called founding-members) signed the Memorandum of Understanding (MOU) on June 29, 2015. The new institution has a financial capability of \$ 100 billion, and it counts 57 members divided on a regional and a non-regional scale. The leading role played by China within the Bank is given by two main reasons: (1) the percentage of the voting power China hold in the AIIB, accounting for 29.8% of the total share among the countries eligible to vote and (2) the percentage of money invested in the project by the PRC, representing 34.6% of the total investments (for a total of \$ 29.8 billion). Despite China's reassurance, its shares in the AIIB highlight a fairly different role as compared with that of other countries within others IFIs. The percentage in terms of voting power the USA holds in the WB is equal to 16.45% whereas Japan, the country with the highest percentage of voting power in the ADB holds a majority of 12.78%. More practically, China's voting share in the AIIB ultimately give Beijing veto power over major decisions in the newly formed Investment Bank (SCMP 2015). During the opening ceremony in Beijing on September 13, 2016, Xi Jinping announced the objectives China set forwards for the new initiative: the development of infrastructure in Asia, more resources vis-à-vis private investments in infrastructure projects and economic growth in Asia and the rest of the world (Xinhua 2016). All this puts into question China's attempt to establish *tout court* the new financial institution, which thus accounts for two main interpretations. Number one is China's frustration with the reluctance of Western countries (prime among which the USA) to cede power at the IMF and the WB. Developing countries still have limited space of influence vis-à-vis major powers' institutional power. With the AIIB though, China aims to reinforce its own position as well as that of other developing countries, yet, through the help of a 'post-Western narrative'. Number two is that the AIIB most likely will become a vehicle for delivering Xi Jinping's foreign economic policy at integrating markets within Asia and Europe (Callaghan and Hubbard 2016). The two interpretations are widely shared among scholars and policy experts in China. According to

Ding, for instance, China tries to supplement the existing international financial system in order to make up the needs of the East Asian region, as existing IFIs failed to meet the needs of a world fast-changing economy, in particular, the ‘special needs’ of the emerging economies (Ding 2015). At the same time, the AIIB will become a fundamental institution in order to start converting some of China’s excess foreign reserves with investments and capital transformation that will be allocated to infrastructure building in East Asia (Li 2015). More generally, the debate recalls the issue as to whether the AIIB complements or challenges the existing regional and global architecture of financial institutions. To some, the establishment of the AIIB pushes forward a great move for international financial diversification (Shu 2015). To others, although it is certainly true that the global financial order necessitates profound changes, through the AIIB, we might see a shift from a ‘Western-led governance’ (西方治理) to a more inclusive ‘East-West co-governance’ (东西方共同治理), allowing Beijing’s further political influence regionally and globally (He 2015). All in all, one should moderate assertions describing China already as a global hegemonic power. As Shaun Breslin explains, China possesses today a ‘defensive assertiveness’ to defend its core interests and to introduce new institutions in the realm of global governance, yet, the demise of the West seems often too much exaggerated (Breslin 2015).

How the AIIB works

The governance of the AIIB is multi-level, and it comprises a Board of Governors, a Board of Directors and a Senior Management Board. The Board of Governors is the highest organ from the ‘decision-making’ perspective. Each member country is required to designate two governors (a governor and an alternate governor) in order to be represented. The functions performed are many and diverse, among which are, the admission and suspension of members, the increase and decrease of capital stock, allocation of net incomes and reserves, the President’s election, changes in the composition of the Board of Directors and Articles of Agreement, decisions on appeals of interpretations to the agreements made by the Board of Directors and permanent suspension of all activities of the Bank. The Board of Governors meet at least once a year. During the Bank’s first annual meeting on June 25, 2015, the Bank approved the establishment of a Special Fund in the preparation of bankable projects, and China committed to the Fund with a contribution of \$50 million (AIIB website).

The Board of Governors is responsible for establishing the major policies of the Bank as well as to approve the strategy, annual plan and budget of the Bank (AIIB 2015: 16). The Senior Management Board has two types of appointments in office, the President and the Vice-Presidents. As for the former, Jin Liqun, 66, is the first President of the AIIB. A former vice finance minister in the Chinese government and native of the province of Jiangsu (Eastern China), he is a well-known expert within international financial circles having served as Vice-President of the ADB (2003–2008); as a Chairman of the International Forum of Sovereign Wealth (2009–2012) and as a Chairman of the China Investment Corporation (2008–2012). Various instead, the posts designated to the Vice-Presidents: a vice-president of policy and strategy, a corporate secretary and chief officers for risk, investment and administration. The greatest innovation of the AIIB would lie in its governance structure. As the two boards are non-resident (and unpaid), in all probability, directors will not ‘act as check on

management', thus avoiding the possibility to 'influence lending decisions of the global multilaterals at the Country Program Level' (Chin 2016: 15). According to the first 'AIIB Business and Budget Plan' released on January 16, 2016, AIIB's initial activities amounted to \$52.4 million for administrative costs, while resources of capital are estimated around \$7.5 million dollars. In the 'start-up' phase priorities indicated by the boards have been the creation of a highly qualified working team appropriate for the business environment and financial plan of the bank, the development of a strong work ethic supported by a wide range of values in line with that of the institution and of its member countries and the activation of a particular platform to build up high-quality investments. Nevertheless, the decision-making process of the AIIB vis-à-vis approved projects, i.e., investments decisions in recipient countries, does not specify how countries are chosen as recipients for investments. As for the recipients, Article 11, point 1, sub-paragraph a, 'Recipients and Methods of Operations' specifies that 'the Bank may provide or facilitate financing to any member, agency, political subdivision or enterprise operating in the territory of a member or concerned with the territory of the region' (AIIB 2015:8). As for financing procedures, Article 13, 'Operating Principles' states that investments should be directed to specific projects or investments projects, equity investments and technical assistance (AIIB 2015: 10). At the current time, the AIIB approved a total of nine projects, two allocated in South East Asia (Indonesia and Myanmar) and seven destined between Central Asia and the Middle East (Oman, Bangladesh, Pakistan, Tajikistan, Azerbaijan). Although the majority of the projects are co-financed together with other MDBs (WB, EBRD, ADB), it is plausible to believe that such projects will indeed reinforce China's strategy (and interests) envisioned within the AIIB's complementary/parallel project, i.e., the B&R initiative.

(New) regionalism with Chinese characteristics

In 2013, while attending the Asia Pacific Economic Cooperation (APEC) Meeting in Bali, Xi Jinping declared that being a member of the Asia-Pacific 'family', China cannot fully develop without strengthening further ties with the region and that the Asia-Pacific would not prosper without China (MOFA 2013). In his minds, countries in the Asia-Pacific should seek common development through the establishment of new projects such as the AIIB, where financial support and infrastructure development are keys to achieve a future of common prosperity. The AIIB is not the only MDBs established by China. In 2013, together with Brazil, Russia, India and South Africa, China set up the BRICS New Development Bank (NDB). The NDB Director is Indian, K.V. Kamath, yet, the headquarters of the bank are located in Shanghai. In this sense, we might expect a higher degree of control on the bank on the top of high shares already hold by China. Despite the similarities, the two institutions are indeed, two different projects. Wide inclusion of Western countries and win-win strategies are not major objectives to the NDB as the bank was founded 'as an alternative to the existing US-dominated World Bank and International Monetary Fund' (NDB website). At the same time, China's role is expected to be different; whereas in the NDB, each founding member owns the same amount of capital share; in the AIIB China's capital alone is equal to all the NDB's initial capital (Humprey 2015). Hence, from here, growing

concerns emerged in the West: in particular, the idea that China plays a hegemonic role in the AIIB, notwithstanding the initial plan to maintain open and inclusive membership to all (member) states. The initiative has been perceived by the international community as a sign of China's growing assertiveness at the international level, where China's motivations to reform global governance are part of an everyday game played by Beijing's in order to support its proactive foreign policy. The AIIB is part of China's new activism at the international level; yet, with no intent to overthrow the existing multilateral financial order. Rather, many circumstances emerged as key elements for inventing a new institution: the political transition in China in late 2012, China's position as a leader in infrastructure projects regionally and world-wide, the willingness to have a far greater say in the existing global financial sector as well as the arrival of China's 'Eurasian moment' (Ren 2016). Some scholars defined China's strategy to set up new MDBs as an example of minilateralism, defined as 'the gatherings of a sub-groups of countries within or outside a multilateral institution to solve a problem when the multilateral institution is unable to reach agreements among its members' (Wang 2014: 1). The TTIP and the TTP, would represent similar examples of minilateralism, following the failures at the Doha Round negotiations to push forward trade liberalization among WTO members (Wang 2014). Still, to others, the wish to create a new institution is representative of China's unsatisfactory, competition-led behaviour vis-à-vis international financial governance (Lipsy 2015). Multilateral competition has been explained by the words of Julia C. Morse and Robert O. Keohane through the notion of 'contested multilateralism', which 'occurs when states and/or non-states actors either shift their focus from one existing institution to another or create an alternative multilateral institution to compete with existing one' (Keohane and Morse 2014: 5). When competitive multilateralism is at stake, either one of the following implications emerge: regime shifting—the shift to an alternative multilateral forum with a more favourable mandate and decision rules—and competitive regime creation—occurring when the coalition of dissatisfied actors create a new institution or establishes a new form of multilateral cooperation to challenge the existing institutional status quo (Keohane and Morse 2014: 10). Nevertheless, China's plans are not exclusively understandable as to be representative of contestation, even though, a shift in the restructuring of global economic power seems under way. Upon Chinese intentions, 'the reform of the global governance system is not about dismantling the existing system and creating a new one to replace it. Rather it aims to improve the global governance system in a more innovative way' (Wall Street Journal 2015).

China's decision to set up the AIIB should be understood as a further challenge concerning a distinctive economic, political and to some extent, cultural model about the global governance domain. China has become a constructive participant in its approach towards regionalism, though with its *Chinese characteristics* (emphasis added, Zhang 2014). Differently from the mid 1990s, China's practices of regionalism have gone through two major changes. Geographically, in the sense that China's regionalism is not anymore confined only to Asia, but it has advanced on two main fronts: westwards across the Eurasian continent and southward towards the Indian continent. Politically, China does not see itself anymore as a revolutionary state but as an active participant and contributor to the existing regional mechanisms and with a great power identity (Zhang 2014). The AIIB is not the only project representing China's multilateralism, where its proactive behaviour has

been growing through its participation within different regional projects, i.e., the Xiangshan Forum or the Conference on Interaction and Confidence-Building Measure in Asia (CICA).

There are many initiatives established since Xi Jinping took office at the end of 2012 growing in parallel with the AIIB, i.e., the B&R initiative, the Beijing-based Silk Road Fund—an investment fund established in 2014 and supported by the State Administration of Foreign Exchange (SAFE), China Investment Corporation, Export-Import Bank of China and China Development Bank; the Silk Road Chamber of Commerce—a joint initiative promoted by the international chambers of commerce of countries alongside the Silk Road and the Silk Road Think Tanks Alliance (SiLKS)—a transnational policy networks consisting of think tanks, international organizations, government agencies, companies and non-governmental bodies, constituted by more than 43 international partners (DRC 2015). According to Wan, this is because the AIIB is simply one among ‘the major policy initiatives adopted by the Chinese government to expand its influence overseas’ (Wan 2016: 44). The creation of the AIIB is thus complementary to other initiatives as they all contribute to reinforce China’s image as a global economic power and its intention to strengthen its foreign economic policy.

At the same time, even though the AIIB is undoubtedly, a good case-study to explain China’s intent to contest Western-led financial institutions and reinforce China’s role at the international level, the Chinese approach is representative of the notion of *new regionalism*: first, as a concept that both reflects and attests the emergence of a post-hegemonic order (Telò 2007), and secondly, as defined as ‘a form of multilevel, collective, transnational action and cooperation among states and civil societies regarding global governance and world politics’ (Telò and Ponjaert 2013: 41). Nevertheless, whereas China’s ‘global strategy’ has been largely analysed by scholars and political analysts, China’s regional intentions and policies have been much less investigated within the literature. This may be due to the fact that in the beginning, China supported regional multilateral cooperation with Asian countries in order to ensure a favourable international environment, yet mainly towards neighbouring areas and with the intent to promote its national interests and domestic development (as for instance with ASEAN + 3 or the Shanghai Cooperation Organization). In the last decade, and with a growing international responsibility derived by its ascent role in world affairs, China is now ready to develop a more articulated and sophisticated approach, which, also resulted in new dynamics in terms of multilateral diplomacy and regional strategies (Chen and Pan 2012). Unfortunately, together with the lack of knowledge often related to China’s external action about its regional strategies, Chinese perspectives towards the study of regionalism rest limited.

The AIIB and the EU’s response

In the words of Xi Jinping, the AIIB ‘means a great deal to the reform of global economic governance system. It is consistent with the evolving trend of global economic landscape and will help make the global economic governance system more just, equitable and effective’. (Xinhua 2016). Through the establishment of the AIIB, China aims to implement infrastructure development *à la Chinoise*, as well as a Chinese model of market-state capitalism, particularly evident in the East Asian region

(Dian and Menegazzi 2015). Jin Liqun, AIIB President, believes the AIIB ‘can contribute to and find its niche among the MDB family’. While the AIIB intends to work closely with other MDBs such as WB or ADB, the new institution nevertheless recognizes how excessive conditionality has turned out to be detrimental by the majority of developing-borrowing countries (The Economist 2016). Going beyond mere dissatisfaction towards existing MDBs, China also envisions a different perspective of how GEG should look like in the near future. In this light, to what extent the creation of a new, Chinese-led, financial institution will fit with on-going regional initiatives already launched by the EU, i.e., the Juncker Plan? Furthermore, are there any prospects for an enhanced coordination between the EU members of the AIIB in the future?

Initially, the EU did not look at the new project with any enthusiasm, and reactions were driven by a behaviour defined as that of a ‘non-participant actor’ (Pan 2015: 16). When four among the most developed economies in the EU—France, Germany, Italy and the UK—decided to join the Bank, the international community expressed negative concerns in the light of their decision. The EU was divided in its response to the AIIB (Renard 2015). The Union recognized that the AIIB is now a new major player in the world of Multilateral Development Finance, although being aware that a ‘lack of a common strategy among EU member states as well as between the EU and its closest allies’ (European Political Strategy Centre 2015) is still a major limit. In 2013, the first EU member applying for membership was Luxemburg, then the UK—announcing the intention to join on 12 March 2013—followed by France, Germany and Italy. With all the ‘big four’ not hiding their enthusiasm to the new project, the result was that on the deadline to become prospective founding member (31 March 2015), 14 EU members had applied to join. In Europe, a widely shared feeling was that lack of coordination coupled with the impossibility to find a single voice to deal with China’s new projects was the result of EU’s shortage of a clear strategy towards the PRC’s new activism in international affairs, as well as a clear sign of disharmony by the EU to find a right place in the changing global governance landscape (Ekman 2016). However, the complexity of EU decision-making process towards China has always been part of EU’s governance structure. For instance, Balme noticed that in the EU-China framework, inter-regional and global modes of governance on key transnational issues (non-proliferation, environment and migration issues) are part of a narrative in line with the peculiarity of EU policy-making (Balme 2008). Moreover, it is precisely the EU’s own institutional structure that allows Member-States the decision to join or not by their own. In the case of Italy, for instance, the decision to ratify the agreement to join the AIIB, is not delegated to EU institutions, but rather, it is directly entitled to the President of the Italian Republic, whereas the financial duties Italy owns to the AIIB are up to the Ministry of Economy and Finance (see *Atti Parlamentari* 2016).

Coordination between the EU members of the AIIB still should be further strengthened. In the Joint Statement of the 14th Meeting of the EU-China Roundtable held in Brussels between 18 and 19 of May 2016, a central issue discussed was EU’s strategy towards the AIIB: ‘direct participation of EU Member States in the AIIB and the entry of China into the European Fund for Strategic Investments (EFSI) provides a good example of reciprocity and inclusiveness’ (EESC 2016). Similarly, on a document issued by the EU Commission, ‘Elements on a new strategy on China’, the principle of

engagement for the EU is to ‘project a strong, clear and unified voice in its approach to China. When member countries conduct their bilateral relations with China, they should cooperate with the Commission, the EEAS and other member states to help ensure that aspects relevant to the EU are in line with EU law, rules and policies, and that the overall outcome is beneficial for the EU as a whole’ (European Commission 2016). However, neither China seems to have a unified approach to the EU. One of the most interesting factors of the whole process is related to which EU member joined as well as which EU member did not join the AIIB. De facto, China envisions Europe as divided into two distinct zones: the West and the East. While the former attracts China because of the strategic assets, trade in services and research and development networks, Central Eastern Europe (CEE) is often seen by leaders in Beijing as a strategic platform for delivering Chinese goods into Europe (The Diplomat 2016). China’s strategy towards CEE-16 is driven by a boost in investments and infrastructure projects Chinese leaders intend to develop through institutional banks such as China Exim Bank or China Development Bank. As CEE countries (both EU and non-EU members) attracted the attention of Chinese investments, leaders in Beijing do not have an imminent interest for them to join the AIIB, whereas Western European countries joining the AIIB strongly contributed to envision the credibility of a new, China-led, Investment Bank.

At the same time, it is noteworthy to mention the significant pressure the USA manifested against the idea of having EU member states joining the initiative. For instance, the US administration did never hide its displeasure, even anger, about UK decision to join the AIIB (The Guardian 2015). The AIIB is closely interlinked with other initiatives launched at the end of 2013, prime among which, the B&R initiative. With certainty, they address China’s growing concerns as driven by the intent to perform a far greater role within two highly strategic regions, Asia and Europe. They coincided, nevertheless, precisely with the moment when the US shifted its strategic focus towards the same regions: Asia (or better, Asia-Pacific) through the Trans-Pacific Partnership (TPP) and the EU through the Transatlantic Trade and Investment Partnership (TTIP). No doubts then, it is with the establishment of China’s initiatives that one could see how Beijing is willing to play a far more prominent role at the international level, sustaining the idea that China’s New Regionalism is somehow the result of China’s necessity to acquire further predominance at the international level, and with some probabilities, at the expenses of the USA. But, rather than considering China’s strategy merely as a response that undermines the existing institutional framework of global governance, China’s intentions again need to be reframed within a wider picture, acknowledging the idea of China’s ‘rejuvenation’ in international affairs (Katzenstein 2012), as well as the coming moment of what in the words of Jiang Zemin has been defined as ‘a period of strategic opportunities’ (Xinhua 2016). In this vein, to recognize that China aims to challenge and change the international system does not necessarily entails an attempt to properly disrupt the existing global order (Breslin 2016). Rather, it is the idea to see China becoming—indeed already be—as the number two power in world’s affairs, ‘changing the world from the second place’, thus pushing for *responsible*, but not destabilizing reforms (Breslin 2016). In recent years, China has indeed strongly promoted the reforms of global financial governance, which did not however, prove to be in parallel with reforms in other policy areas, i.e., security. In the case of the reform of the United Nations Security Council (UNSC) many times China signalled its

veto to a Security Council reform (Malik 2005), for instance, making out possibilities to support either India or Japan accession in the UNSC.

EU's and China's approaches towards the reform of Global Economic Governance (GEG)

Consequences about China's global governance strategies also present different challenges if analysed through the US or the EU's perspective, where opportunities to the EU should not be minimized. Among them, is the boosting on trade and investment where a comprehensive agreement on investment 'is the EU's immediate priority towards the objective of deepening and rebalancing EU's relations with China' (EU Commission 2016). Of paramount importance rests to highlight to what extent multilateral cooperation will further strengthen the China-EU 'strategic partnership' as well as how the two actors interact regionally and globally in the context of GEG. Although relations between the EU and China steadily developed since diplomatic ties were first established in 1975, it is with the EU-China comprehensive strategic partnership created in 2003 that we saw the deepening of cooperation in a fair and wide range of areas, with the result of EU and China becoming more and more interdependent among each other (Algieri 2002; Casarini 2013). In this light, both China and the EU are committed to cooperate in many diversified but fundamental issues, as proved by the adoption of a 'EU-China 2020 Strategic Agenda for Cooperation' (EEAS 2013). Differently from the fluctuating (political and economic) relationship China entertained with the USA, the EU does not perceive China as a 'threat', neither as an actor undermining its strategic interests in different regions of the world, where cooperation rather than confrontation within different multilateral frameworks has been implemented. The EU should avoid letting China become the 'elephant in the room' but to combine its interests with the opportunities represented by China's growing and multifaceted connectivity, among which the AIIB and the B&R appear to be of paramount importance. Such arguments build on reinforcing the certainty that at the outset of the twenty-first century, a new form of a non-Western and less Eurocentric structure of global governance not only challenges, but also enriches the working mechanisms of international politics. Going beyond Euro-centric perspectives, the EU should not be considered merely as an institutional model, rather as part of the emergence of a multi-level international system, which is developing vis-à-vis numerous changes occurring in the global governance domain, where states, global institutions and regional groupings, trans-governmental networks and interregional partnership 'matter more than ever within a general tendency towards the institutionalization of the international life' (Telò 2014: 1).

The EU needs to prioritize whether and how China's new initiatives enlarge explanations about Chinese ideas on multilateral governance and regional strategies. China has already acquired a pivotal influence in several regions of the world, i.e., East Asia, Africa or Central Asia (Kavalski 2009). The type of multilateralism (ad hoc, soft, instrumental) Beijing aims to promote clearly necessitates further investigation, notwithstanding that many aspects of its foreign and security policy making processes still remain opaque and closed to the outside (Lampton 2001; Jakobson and Knox 2010). In the case of the AIIB, an essential priority rests the political vision presented by Article

31 of the AIIB, where political sovereignty and non-interference are considered to be preconditions to all members in order to be part of the new project:

“The Bank, its President, officers and staff shall not interfere in the political affairs of any member, nor shall they be influenced in their decisions by the political character of the member concerned. Only economic considerations shall be relevant to their decisions. Such considerations shall be weighed impartially in order to achieve and carry out the purpose of the Bank” (AIIB Article 31).

Similarities and differences between the EU’s and China’s approaches towards the reform of global governance necessitate further attention. To many, the EU approach towards global governance still presents essential ‘conceptual gaps’ vis-à-vis China’s position. Once and if EU and Chinese approaches are compared, enormous differences still emerge at the institutional, normative and policy levels. Precisely, there is a consistent and continued mismatch over key issues in international politics, among which, sovereignty and non-intervention, the utility of institutions as well as how to prioritize global versus internal activities (Gross and Jian 2012) have been evident. On top of this, and specifically in the field of GEG, new Chinese-led initiatives vis-à-vis infrastructure development and investments, like B&R, have to be discussed in the light of EU’s own initiative, i.e., the ‘EU Infrastructure Investment Plan’ (also known as the ‘Juncker Plan’) and whether they clash or complement EU’s plans. Firstly announced in November 2014, the grandiose investment plan (\$361 billion) intends to strengthen EU’s job market, investments and growth. Similarly to B&R, the plan takes advantage of the support of two other fundamental institutions, the European Investment Bank (EIB) and the European Investment Fund (EIF) (European Commission 2016). Apart for the institutional arrangements of the two projects, which indeed present some evident similarities, further space for collaboration on a bilateral basis could also be enhanced in the future as ‘the Europe 2020 strategy, the Strategic Investment Plan (Juncker plan), the PRC’s 13th five-year plan, the One Belt One Road (OBOR) initiative, the Asian Infrastructure Investment Bank (AIIB) and the EU-PRC Investment Agreement are the legs on which future relations between the EU and the PRC must stand’ (European Economic and Social Committee 2016).

Conclusion

The role of China as an ‘institution-builder’ provides enough ‘food for thought’ to believe leaders in Beijing be ready to go beyond the rules and supranational principles established by Western countries about international financial governance more than 50 years ago with Bretton Woods institutions. Within such a framework, the article attempted to reveal some of the major challenges posed by the AIIB in the light of China’s growing ascent vis-à-vis global governance and how the EU reacted so far. All in all, EU’s China’s strategy over the last decade recognized China’s enhanced role at the international level. The AIIB represents China’s first attempt to bring something new within the Western ‘establishment’ vis-à-vis MDBs. There is a clear commitment by China to contribute to GEG, and EU warmly welcomed it with 14 members now

part of the initiative. Yet, EU's and China's approaches towards global governance are still driven by conceptual and normative gaps vis-à-vis different policy domains, i.e., human rights issues or the UNSC reform. In this light, the European Union intends to support regional cooperation in Asia through a 'rounded approach' but where the Association of South East Asian Nations (ASEAN) is still defined the 'fellow partner' concerning regional integration (EEAS 2015). In the years ahead, EU's membership within the AIIB might be much more than an innovative governance solution to the future of the EU-China strategic partnership. It might, by chance, become an international financial arrangement and an 'ad hoc' multilateral instrument to further limit the gaps between China's and EU's approaches towards global financial governance.

Acknowledgements The author is grateful to Prof. Thomas Christiansen and Dr. Richard Maher for organizing the conference 'China's Rise and Europe's Response' at the European University Institute in April 2016 where a first draft of this article was presented. The author is also indebted to the anonymous reviewers for providing insightful comments and providing directions for additional work which has resulted in this paper.

References

- AIIB (2015) Asian Infrastructure and Investment Bank Articles of Agreement. https://www.aiib.org/en/about-aiib/basic-documents/_download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf. Accessed 15 September 2016
- Algeri F (2002) EU economic relations with China: an institutionalist perspective. *The China Quarterly* 169: 64–77
- Atti Parlamentari (2016) Disegno di Legge: Ratifica ed Esecuzione dell'Accordo Istitutivo della Banca asiatica per gli investimenti in infrastrutture con allegati, fatto a Pechino il 29 giugno 2015. Camera dei Deputati, No. 3642
- Balme R (2008) A European strategy towards China? The limits of integration in foreign policy making. In: Balme R, Bridges B (eds) *Europe-Asia relations*. Palgrave MacMillan, Building Multilateralism
- Breslin S (2015) China's global power/China as a global power. In: Chung JH (ed) *Assessing China's power*. Asian Palgrave MacMillan Series, New York
- Breslin S (2016) China's global goals and roles: changing the world from a second place? *Asian Affairs* 47(1): 59–70
- Callaghan M, Hubbard P (2016) The Asian infrastructure investment bank: multilateralism on the Silk Road. *China Economic Journal* 9(2):116–139
- Casarini N (2013) *The EU-China partnership: 10 years on*. EUISS, Paris
- Chen Z, Pan Z (2012) China in its neighbourhood: a middle kingdom not necessarily at the centre of power. *The International Spectator* 46(4):79–96
- Chin GT (2016) Asian infrastructure investment Bank: governance innovation and prospects. *Glob Gov* 22: 11–26
- Dian M, Menegazzi S (2015) The Asian infrastructure investment bank: a first step towards a sinocentric regional order? <https://podcasts.ox.ac.uk/asian-infrastructure-investment-bank-first-step-towards-sinocentric-regional-order>
- Ding Y (2015) 亚投行为什么这么受欢迎? http://epaper.gmw.cn/gmrb/html/2015-03/19/nw.D110000gmrb_20150319_1-12.htm. Accessed 23 October 2015
- Dove J (2016) The AIIB and the NDB: the end of multilateralism or a new beginning? *The Diplomat*. <http://thediplomat.com/2016/04/the-aiib-and-the-ndb-the-end-of-multilateralism-or-a-new-beginning/>. Accessed 4 May 2016
- DRC Development Research Center of the State Council of the People's Republic of China (2015) Declaration of SiLKs. http://en.drc.gov.cn/2015-10/30/content_22355908.htm. Accessed 15 March 2016
- EEAS (2013) EU-China 2020 Strategic Agenda for Cooperation. http://eeas.europa.eu/china/docs/eu-china_2020_strategic_agenda_en.pdf. Accessed May 15 2014

- EEAS (2015) The European Union in a changing, global environment. A more connected, contested and complex world. https://europa.eu/globalstrategy/sites/globalstrategy/files/about/eu-strategic-review_executive_summary_en.pdf. Accessed May 27 2015
- EESC (2016) Joint Statement 14th meeting of the EU-China Round table. http://www.eesc.europa.eu/resources/docs/eesc-2016-02833-00-01-tcd-ori_version-2.pdf Accessed 30 September 2016
- Ekman A (2016) A multilateral agenda for the EU: taking China's activism into account. In: Ujvari B (ed) The EU's global strategy: going beyond effective multilateralism. European Policy Center, Bruxelles
- European Commission (2016) Joint Communication to the European Parliament and the Council. Elements for a new EU strategy on China. http://eeas.europa.eu/archives/docs/china/docs/joint_communication_to_the_european_parliament_and_the_council_-_elements_for_a_new_eu_strategy_on_china.pdf. Accessed 30 September 2016
- European Political Strategy Centre (2015) The Asian infrastructure investment bank: a new multilateral financial institution or a vehicle for China's geostrategic goals 1:1–5. https://ec.europa.eu/epscc/sites/epscc/files/strategic_note_issue_1.pdf. Accessed 30 Sept 2016
- Ferdinand P, Wang J (2013) China and the IMF: from mimicry towards pragmatic international institutional pluralism. *Int Aff* 89(4):895–910
- Geraerts G (2011) China, the EU, and the new multipolarity. *European Review* 19(1):57–67
- Gross E, Jian J (2012) Conceptual gaps on global governance between China and the EU. In: Pan Z (ed) *Conceptual gaps in China-EU relations, Global governance, human rights and strategic partnerships*. Palgrave MacMillan, Basingstoke
- He Y (2015) 从西方治理到东西方共治. <http://weekly.caixin.com/2015-04-03/100797317.html>. Accessed 15 May 2016
- Humprey C (2015) *Developmental revolution or the Bretton woods revised?* ODI, London
- Jakobson L, Knox D (2010) *New foreign policy actors in China*. SIPRI, Stockholm
- Katzenstein PJ (2012) *Sinicization and the rise of China. Civilizational processes beyond East and West*. Routledge, Abingdon
- Kavalski E (2009) *China and the global politics of regionalization*. Ashgate, Farnham
- Keohane RO, Morse JC (2014) *Contested multilateralism*. *Review of International Organization* 2:1–30
- Lampton DM (2001) *The making of Chinese foreign and security policy in the era of reform*. Stanford University Press, California
- Li M (2015) China's 'one belt one road initiative': new round of opening up? RSIS Commentary, Singapore
- Lipsy PY (2015) Who's afraid of the AIIB. Why the United States should support China's Asian Infrastructure Investment Bank. *Foreign Affairs*. <https://www.foreignaffairs.com/articles/china/2015-05-07/whos-afraid-aiib>. Accessed 30 September 2016
- Malik JM (2005) Security Council reform: China signals its veto. *World Policy Journal* 22(1):19–29
- MOFA China (2013) *Creating a New Landscape for the Diplomacy of Neighbouring and Boosting the Asia-Pacific Regional Cooperation*. <http://www.mfa.gov.cn/ce/cenp/eng/zgwj/t1088099.htm>. Accessed 23 September 2016
- Pan G (2015) 欧盟亚太政策专项新结出主意理解欧盟国家加入亚投行的行为逻辑 (EU's Asia-Pacific policy: a new engagement? How to understand the behavior logic in the EU's member states entry into the AIIB). *欧洲研究 (Chinese Journal of European Studies)* 33(2):16–30
- People's Daily (2002) Full text of Jiang Zemin's Report at the 16th Party Congress. http://en.people.cn/200211/18/eng20021118_106983.shtml. Accessed 25 October 2015
- Rapkin DP, Strand JR (2003) Is East-Asia under-represented in the International Monetary Fund? *International Relations of the Asia Pacific* 3:1–28
- Ren X (2016) China as an institution-builder: the case of the AIIB. *Pacific Review* 29(3):435–442
- Renard T (2015) *The Asian Infrastructure and Investment Bank (AIIB): China's new multilateralism and the erosion of the West*. Egmont Institute, Bruxelles
- Schweller RL, Pu X (2011) After unipolarity: China's visions of international order in an era of US decline. *Int Secur* 36(1):41–72
- Shu J (2015) 亚洲基础设施投资银行与国际金融秩序 (the Asian Infrastructure Investment Bank and the international financial order). *国际关系研究 (Journal of International Relations)* 4:15–26
- South China Morning Post (2015) China to have 30 per cent stake, veto power under AIIB deal. <http://www.scmp.com/news/china/diplomacy-defence/article/1829342/aiib-deal-seals-chinas-big-stake-new-lender>. Accessed 2 June 2016
- Strand J, Flores EM, Trevathan MW (2016) China's leadership in Global Economic Governance and the creation of the Asian Infrastructure Investment Bank. *Rising Powers Quarterly* 1(1):55–69
- Telò M (2007) *European Union and new regionalism. Regional actors and global governance in a post-hegemonic era*. Ashgate, London

- Telò M (2014) *Globalization, EU and multilateralism. What future for global governance.* Ashgate, London
- Telò M, Ponjaert F (2013) The EU's foreign policy. In: *What kind of power and diplomatic action?* Ashgate, London
- The Diplomat (2016), Central and Eastern Europe: China's Stepping Stone to the EU?. <http://thediplomat.com/2016/11/central-and-eastern-europe-chinas-stepping-stone-to-the-eu/>. Accessed 15 Dec 2016
- The Economist (2016) The Infrastructure of Power. <http://www.economist.com/news/finance-and-economics/21701494-reasons-be-enthusiastic-about-chinas-answer-world-bank-infrastructure>. Accessed 30 September 2016
- The Guardian (2015) US anger at Britain joining Chinese-led investment bank AIIB. <https://www.theguardian.com/us-news/2015/mar/13/white-house-pointedly-asks-uk-to-use-its-voice-as-part-of-chinese-led-bank>. Accessed 12 October 2016
- Wall Street Journal (2015) Full Transcript: Interview with Chinese President Xi Jinping. <https://www.wsj.com/articles/full-transcript-interview-with-chinese-president-xi-jinping-1442894700>. Accessed 15 September 2016
- Wan M (2016) *The Asian infrastructure investment Bank. The construction of power and the struggle for the East Asian international order.* Palgrave MacMillan, New York
- Wang H. (2014) From “taoguang yanghui” to “yousuo zuowei”: China's engagement in financial multilateralism. CIGI Papers no.52, Waterloo
- Xinhua (2016) Full text of Chinese President Xi Jinping's address at AIIB inauguration ceremony. http://news.xinhuanet.com/english/china/2016-01/16/c_135015661.htm. Accessed 2 February 2016
- Zhang, X., (2014), China's Regionalism in Asia, The Asan Forum, 23 May, available at: <http://www.theasanforum.org/chinas-regionalism-in-asia/>. Accessed 4 July 2016