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Towards Global Leadership? China's Roles in Provision of Goods and Institutions for Global Economic Governance

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Abstract

Being the second largest economy in the world, China is in a good position to exercise world leadership through provision of more resources for global economic governance as far as its growing economic strength is concerned. This paper examines China's engagement in global economic governance through her participation in the affairs of the existing institutions of global governance – the Bretton institutions, provision of global economic goods through outward foreign direct investment (OFDI) and her position in the Belt and Road Initiative (BRI) and the newly established multilateral bank, the Asia Infrastructure Investment Bank (AIIB). From this analysis, two findings are evident. First, although China is the second largest economy and source of outward OFDI in the world, its role in the existing global economic governance architecture is minimal compared to her economic strength. Second, constraints within the existing global economic governance system have compelled China to create new economic institutions, something that has sparked resistance from other economic powers, particularly the US and Japan. Therefore, since the economic measures that China has taken in order to ascertain her position in the globe are resisted, the paper recommends that the major actors in the global economy have to find an amicable way forward by working together to avoid friction and rivalry and bring about better global economic governance.

Keywords: *global economic governance, economic diplomacy, inward foreign direct investments (IFDI), outward foreign direct investments (OFDI), perceptions, legitimacy*

1. Introduction

Global governance is broadly understood as the complex inter-linkage between various state and non-state actors and organizational contexts involved in managing cross-border issues, which have worldwide repercussion (Luckhurst, 2018). Although not a new concept, its popularity is often linked to the publication of Rosenau and Czempiel's co-edited book, *Governance without government: Order and change in world politics*, published in 1992. Since then, there have been a number of significant publications related to this area, whereby two basic camps of scholars have emerged to characterise the study of global governance: one which foresees a collapse of the existing global governance architecture, and another which acknowledges the existing challenges but finds more positive things and opportunities in that architecture.

Scholars in the first camp largely subscribe to a line of thought, which predicts a collapse of the existing global order. They range from those contesting and even suggesting the end of the existing global order

(Acharya, 2014; Bremmer and Roubini, 2011; Rodrik, 2006; Walt, 2011) to those who foreshadow a new era, the post-global governance era (Acharya, 2017; Bremmer, 2012; Stuenkel, 2016). Central in this line of thinking is the prediction of a fall of the United States' world order, and subsequently the global governance architecture. In addition, they point to the declining trust in the logic of market efficacy in the liberal order, which is characterised by constant recurrence of economic crises, thus being a sign suggesting a collapse of the liberal order. On the other hand, there are those who acknowledge the challenges within the existing global governance structure but still hope that there is a chance for the global governance architecture to re-constitute itself. (Acharya, 2016a, 2016b; Luckhurst, 2018). They argue that, although fragmentation is a key characteristic of global governance, the ongoing dynamics in global governance ought to be understood as increased interdependence, integration, decentralisation or simply increased participation in global governance while maintaining that it is too early to predict a collapse of the existing architecture (Acharya, 2016a; Luckhurst, 2018). In addition, although the post global financial crisis (GFC) period indicates a kind of break-off from the old order, empirical data suggest otherwise. That is to say, "there has been growing evidence of both fragmentation and integration of the global economic architecture since the GFC due to the expansion and growing complexity of multilateral economic cooperation" (Luckhurst, 2018: 220).

In support of the second view, one of the recently published book *Why govern? Rethinking demand and progress in global governance* provides insights on how global governance is still needed and suggests alternatives to global governance. The book also suggests the way forward in advancing scholarship in global governance. These include the causes for the demand for global governance; global governance as related to less researched areas of climate change, atrocities, health and internet; relationship between fragmentation of global governance and the future of the global order; and the role of developing countries in global governance (Acharya, 2016: 290-293).

This paper builds on that book by dealing with one of the areas suggested for future research, particularly the role of developing countries in global governance. It examines China's role in global economic governance, paying particular attention on its active participation through provision of global economic public goods (Monga, 2019). In that regard, the paper answers two overarching questions, namely: What are the major roles that China plays in the global economic governance? How should they be understood and explained? Answers to these two questions are expected to bring about an understanding of the roles of China in global economic governance, with the hope that attention on China's participation in the provision of economic goods will surface the appreciation of the roles of developing countries in global governance.

In answering these questions, the study relied on desk research involving extensive documentary or textual analysis (Bowen, 2009; Frey, 2018; Kuckartz 2014, McKinnon, 2014) as the most feasible and main method of data collection and was supplemented by the hermeneutics method of analysis. As a method of research, document or textual analysis entails "a systematic procedure for reviewing or evaluating documents—both printed and electronic (computer-based and Internet-transmitted) material" (Bowen, 2009: 27) or "is a form of qualitative research that uses a systematic procedure to analyse documentary evidence and answer specific research questions" (Frey, 2018: 544). As Frey (2018) suggests, in this study document (textual) analysis was used as a sole and stand-alone method for data production. As a method, documentary review or textual analysis is understood differently among scholars. For example, Bailey (1994) views it as an analysis of documents, which contain information about a phenomenon under study. For Payne and Payne (2004), the documentary method is used to categorise, investigate, interpret and identify the limitations of physical sources, most commonly written documents whether in the private or public domain (cited in Mogalakwe, 2009: 221-222). However, according to Desai and Potter (2006), for a document to fulfil this role, the researcher needs to find out how it came into being, why it was produced and when it was prepared or written. This was the criterion used in selecting and analysing the documents used to produce the results of this study.

With regard to the hermeneutic method, the study drew insights from Hans-Georg Gadamer's major work *Truth and method*, which stresses on finding the broader horizons of a text and its context, and calls for paying careful attention to the historically situated narratives that helped produce it (Gadamer, 2013: 406). As pointed out by Palmer (1969), in this study hermeneutic, principles were sought for to aid and facilitate a deep and critical understanding of the documents under consideration within their broader historical context (Brinkmann and Kvale, 2015). In this regard, China's participation in global economic governance and her move of creating new institutions for global economic governance were approached from a broader historical background. The target was to try as much as possible to comply with Jameson's (1981: 9) advice to "always historicise" as a way of putting this discussion in a continuum of the strategic arch of the ever-evolving global economic governance architecture. This is so because "to historicise means to find the correct interpretive key to understanding the contemporary historical situation, and then theorize this period in a broader trans-historical context" (Mahoney, 2013: 381). In this way, understanding the roles of China in the newly established institutions of global economic governance as presented in this paper was possible.

The paper is divided into six parts. After this first part, which introduces the paper and the subject of the study, the second part provides a synopsis of the Chinese political economy from 1970s to the present. The third section addresses the central concern of this paper, that is, the roles of China in global economic governance by focusing on two cases. It begins with an introductory overview of China as related to global economic governance and then discusses two selected cases. The first is China's contribution in global economic governance through her provision of global economic goods in forms of outward foreign direct investment (OFDI), while the second case is about the roles of China in global economic governance through the existing institutions of global governance and through provision of economic goods, mainly through China's foreign direct investments (COFDIs). The fourth part predicts China's contribution to global governance through the creation of new institutions for global economic governance mainly BRI and AIIB. The fifth part presents some challenges facing the newly initiated financing schemes while the sixth draws a conclusion and makes recommendations.

2. Contemporary Chinese Political Economy: A Synopsis

China's political, economic and foreign policies have become a subject of numerous books and journal articles in the last thirty years or so (Brada, Wachtel and Yang (eds.), 2014; Cheng and Ding, 2017; Henson and Yap (eds.), 2016; Mayer (ed.), 2018; Wong and Bo, 2010; Zhang, 2016). Most scholars have been interested in accounting for "China's phenomenal transformation from an agricultural, self-contained and inward-looking nation into a global economic powerhouse in a mere course of three decades of reforms, which continues to be a source of "inspiration and awe" (Ehizuelen and Abdi, 2018: 386). Moreover, since

China has become the second largest economy and source of FDI in the world, many would like to tell this story. Most of the storytellers would expect China to exercise her economic power by taking global responsibilities, one of which is to provide global economic goods (Monga, 2019). As hinted by Xi Jinping during the 19th National Congress of the Communist Party of China on October 18th, 2017 that China has entered a 'New Era', this has manifested itself in the various leadership roles that China takes such as its commitment to the Paris environment deal after US pulled out (Cohen, 2019; Zhang *et al.*, 2017). In addition, other areas in which China's commitment to global economic governance is evident include various initiatives such as the expansion of its OFDI volume, establishment of new financial institutions and proposition of new and more integrated economic initiatives.

Others have argued that, as the second largest economy, China plays a key role in the reform and reconstruction of the international order (Zheng and Lim, 2015). China's move to launch the 'Silk Road Economic Belt (SREB)' and 'Maritime Silk Road of the Twenty-First Century' Initiative (MSRI)' or simply the 'Belt and Road Initiative' (BRI) in October 2013 and the leading the founding of Asia Infrastructure Investment Bank (AIIB) in 2016 have served to some as evidences for such move (Luckhurst, 2018). These initiatives add to China's contribution in the global economy through OFDI whose focus has moved from resource extraction in the developing countries to asset acquisition in the developed world (Meunier, 2014; Yao and Wang, 2014), and exportation of complex and sophisticated technology (Rabe and Gippner, 2017). All these indicate how China's foreign and economic development policies and particularly her economic diplomacy are determined to guide China as it defines the length and width of her engagement in global economic governance.

As such, if one is set to examine the China's trends in its foreign and economic development policy in the last thirty years; one evident feature one would immediately find is that China has been evolving to reflect various forms of economic development. For instance, it has evolved from the opening-up policy, through the integration (in the existing international order) policy to the going-global policy (Zheng and Lim, 2015). With the economic reforms that started in the late 1970s and more radical changes in 2000s; some scholars and observers of contemporary Chinese politics and economy have described China as a country which has been adopting tactics of market economy and modern democracy without embracing such models in their totality (Brady and Wang, 2009; Zhang, 2016). As a result, emphasis on economy development in the past two decades or so, especially after ascending to World Trade Organization (WTO) in 2001, have facilitated China's economic rise. This economic development made China not just a developing country or an emerging economy but the second largest economy and source of foreign direct investment (OFDI) in the world (Ren, 2016; Yao *et al.*, 2017; Yu, 2017). With regard to OFDI, for example, by 2016 China became the second largest source of FDI, of approximately US$180bn (Yao *et al.*, 2017). With this new status, China is expected to provide and "exercise leadership in the world compatible with its growing economic strength by providing more resources for development and other global goals" (Ren, 2016: 439).

Nevertheless, China is often portrayed as a country that has always avoided becoming a global leader in many aspects, although the evidence on ground attests otherwise. China has been active engaging itself with the world through "its membership and involvement in multilateral organizations that have risen from 7 between 1949-1970 to 298 between 1980-2007" (Zhang, 2016: 15), and as from 2013, more emphasis has been on economic diplomacy by declaring it as one of the priorities in its comprehensive strategy diplomacy. Under this new approach to diplomacy, economic diplomacy, "the process through which countries tackle the outside world to maximize their national gains in all the fields including investments and other forms of economically beneficial exchange" (Rana, 2007: 201), the current Chinese economic endeavours are articulated. Moreover, through this form of diplomacy one can understand and contextualize the current role of China in global economic governance such as the soaring of her OFDI in the world, and her roles in the Brazil, Russia, India, China and South Africa (BRICS) multilateral group and her newly created economic initiatives, the BRI and AIIB. This paper discusses issues and prospects of China in global economic governance through the provision of OFDI, BRI infrastructure financing and creation of AIIB.

3. China's Roles in the Global Economic Governance

This part examines China's engagement in global governance. In particular, it pays attention to the tremendous economic success that China has attained in the past four decades and links them with the roles it has been playing in global economic governance. However, it must be made clear that, although it is no longer disputable that China occupies an important position in the world, how China is likely to use this position is a concern that attracts the attention of various scholars. Moreover, although China often reveals itself as a peaceful nation, thus its rise is a peaceful rise, her engagement with other nations has raised concerns (Alves, 2013; Burgos Cáceres and Ear, 2013; Panda, 2017; Pavlićević, 2018). While some scholars are in a heated debate about the implications of its expansion (Henson and Yap, 2016; van Dijk (ed.), 2009), there are others who are concerned with its rise as a prominent global political power (Bardy, 2017; Danner, 2018; Rudolph and Szonyi (eds.), 2018). Nevertheless, as per some scholars, resistance to China's economic power is now mounting (Hanemann and Huotari, 2018; Rabe and Gippner, 2017), although the fact that China's influences, particularly economic influence are evident everywhere and cannot be denied (Kelly, Coner and Lyles, 2013; Meunier, 2014).

This section discusses China's roles in global economic governance under two parts. The first part examines China's increasing motivation to take part in global economic governance within the existing global institutions. It particularly examines and discusses China's participation in the existing economic world order particularly in the affairs of the US-led financial institutions, International Monetary Fund (IMF) and the World Bank. The second part focuses on China's participation in global economic governance through provision of economic public goods in the form of outward foreign direct investment (OFDI).

3.1. China and the Bretton Woods Institutions (BWIs)

One of the better ways to appreciate the roles of China in global economic governance is to appraise its participation in the Bretton Woods Institutions (BWIs), the World Bank, the International Monetary Fund (IMF), the International Finance Corporation (IFC), the International Development Association (IDA), and the Multilateral Investment Guarantee Agency (MIGA), all established in the 1940s. These were put in place as a response following the failure of the first initiative, the Bank for International Settlement (BIS), created in 1930.

Given the vastness of the institutions, this paper is restricted to China's engagement with IMF and the World Bank. One of the reasons for this choice is that, according to the International Bank for Reconstruction and Development (IBRD)—the World Bank Articles of Agreement, membership in IDA, IFC and MIGA is conditional on membership to IBRD. In addition, under Article II, Section (b), IBRD Membership shall be open to other members of the Fund, at such times and in accordance with such terms as may be prescribed by the Bank. As such, the choice of these two leading global institutions in the world is expected to surface China's motivation to engage in global economic governance through its membership to the BWIs.

The evolution of the BWI global economic governance architecture or "the international institutionalization of multilateral cooperation intensified during the 1940s, primarily through the Bretton Woods agreements and the new UN system" (Luckhurst, 2018: 30) created conditions for the United States' dominance in these institutions. However, this was not an easy battle to be won given that the key negotiators Harry Dexter White, John Maynard Keynes, and the Mexican finance minister, Eduardo Suárez, were almost from countries that were oriented towards different economic principles. As such, with each chairing a commission at Bretton Woods, it is obvious that the newly created institutions had some elements of non-American economics. Basically, "the agreements at Bretton Woods were intended to achieve what might be termed in today's political lexicon as a 'sustainable' and 'inclusive' economic recovery. This was to be accomplished by introducing new controls on capitalism" (Luckhurst, 2018: 31). However, this was not realized partly because of the share of financial resources, which the US gave in the creation of these institutions, thus making them reflect the common image of US-led institutions. However, how, did the People's Republic of China's (PRC) become a member to BWIs?

China joined the BWIs in the 1980s. Having regained her UN seat in 1971, and launched its opening policy in 1979, China assumed membership to the BWIs in April 1980, a membership that had been held by the Republic of China (ROC) (Taiwan) since December 27,

1945. Since then, China has been one of the largest borrowers and recipients of technical assistance from BWIs. In recent years, China has gone beyond the only role of being a recipient country and has increased its influence inside the Bank (BWIs, 2011: 5). Later, although short-lived, there was a kind of widening for a more liberalised global economic order since 1989/1990s, marked by the disintegration of the United Soviet Socialist Republics (USSR). Despite these new changes, however, China's contribution to global economic governance through BWIs has not been recognized as significant. The structure of these institutions give more voting rights to the Group of seven (G-7) countries. Even when China rose to become the second largest economy in the world, her influence in the BWIs remained low. This was reflected in China's low percentage of voting right quota, which continued to stand at 6.09 percent in the IMF and at 4.61 percent the World Bank. This is one of the things limiting her active participation in global economic governance. Because of this, as days passed, China together with other emerging economies and developing countries began pushing for reforms within these BWIs.

In spite of such contestation, not much was changed to accommodate the emerging economies and China in particular. Even after the global financial crisis, things were still not better. As Luckhurst (2018: 71) puts it, "although the global financial crisis had made it increasingly important, economically and politically, to integrate the Chinese more in global economic governance, …[and] the Obama administration intended to integrate the Chinese as 'responsible stakeholders', partly to deter any potential revisionism, this proposal could not go through in the US Congress." In fact they gained nothing in terms of voting quota in the IMF and World Bank through the 2010 reforms, except some minor cosmetic changes which included an increase of BWI employees from China who increased from 51 in 2007 to 120 against 773 by 2013 (IMF Diversity Council 2007 and 2013 as cited by Luckhurst, 2018: 60-61).

Slightly positive change was in terms of incorporating Chinese employees in the top management. For the first time, following long time agitation, some Chinese officials were appointed to senior positions in the BWIs, namely the position of deputy director of IMF and vice-president of the World Bank (Luckhurst, 2018: 61), though duopoly tradition among the G-7 members have continued within the BWIs. The roles entrusted to China through the positions of deputy director and vice-president of the IMF and World Bank respectively signify the recognition of the role of China in the global economic governance. As well, it gives China a chance to participate in managing the day-to-day activities of these institutions and hence the possibility of influencing their policies. However, critics have been arguing that this move signifies China's co-optation into the BWIs and blocks the possibility for a continual push for reforms in these BWIs.

On the other hand, incorporation of China in the BWIs top management position seems not to work best. China seems not to be satisfied with what has been offered to her. China then has been looking for alternative avenues to help her exercise her influence in the global economic governance. That is why it has come up with proposals for the Belt and Road Initiative (BRI) and the establishment of multilateral bank, the Asia Infrastructure Development Bank (AIIB) that will be discussed in section five of this paper. For now, the next part examines the participation of China in the existing framework of global economic governance through provision of economic goods in the form of outward foreign direct investment (OFDI).

3.2. Chinese of Outward Foreign Direct Investment (COFDI)

China's engagement in the global affairs has been increasing ever since she regained her seat in the United Nations in the early 1970s. Since then, she has been an active participant in almost all the UN led programmes and initiatives. Scholars interested in examining China's engagement in global economic governance and outward investment often pay attention to the major economic landmarks of China. These can be summarised as follows: from 1979 to 1991, which reflect the 'Open-Door' policy; from 1992-2001, an economic acceleration responding to Deng Xiaoping 'South Tour'; and from 2002 to present reflecting the 'Go Global' policy (Yao and Wang, 2014: 18-20). While the late 1970s marked the beginning of China's serious engagement and influence in global economy, her engagement became more evident in the period reflecting the 'Go Global' policy.

Prior to the launching of the 'Go Global' policy, Asia was hit by a serious financial crisis, the 1997/1998 Asia Financial Crisis (AFC). China, as one of the powerful economies, was actively engaged in economic governance initiatives to address the effects of this financial crisis. One of the effects of this financial crisis with regard to global economic governance was that it laid the foundation for the future "contestation between advocates of market efficiency and rationality versus those who argued that government intervention was a necessary corrective solution to the flaws in market capitalism" (Luckhurst, 2018: 16). Notwithstanding this impact, and loss of trust in the liberal world, China proceeded with its long-ambitioned goal of joining the World Trade Organization (WTO).

One of the effects of China's membership to the WTO was felt in terms of inward foreign direct investment (IFDI), and OFDI. In both forms of investment financing, China's participation was evident. Although many often ignore pointing out IFDI as an area in which

China's role in global economic governance should be appreciated, it remains an important aspect of the global economy. This is because of the fact that, without proper enabling environment, foreign firms could not penetrate their capital and carry out their production activities and trade without the support of the government. As such, opening China for worldwide investments was an act of participation as it created ground for the flourishing economies to tap the existing market of the former closed China. With this note, the paper goes on to discuss the role of China in global economic governance as the provider of global economic goods not because of insignificance of IFDI, but because in terms of volume, OFDI from China has surpassed IFDI from the rest of the world.

That said, the soaring of OFDI marked another significant step towards China's engagement in global economic governance. This time, China was a provider of economic goods in terms of capital and technology. Some important trend with regard to IFDI in China and OFDI from China is that, while OFDI is soaring, IFDI is decreasing. According to Yao *et al.* (2017: 1-2), by 2016, the amount of Chinese COFDI was approximately 180 US billion dollars or 50 US billion dollars more than the country's IFDI. According to different scholars, this soaring of Chinese OFDI after benefiting from significant amount of IFDI reflects China's economic policy as well as the economic growth (Wang, Mao and Gou, 2014; Wei and Alon, 2010). It seems as well to support Dunning's (1981) investment development path theory which suggest that, with an increase in per capital income, a country initially attracts a growing amount of foreign direct investment (FDI) and subsequently becomes an ODI player (Wang, Mao and Gou, 2014: 227). In playing this new role, China has surpassed its classification as an investor who invests in resource seeking and politically risky countries (Kolstad and Wiig, 2012; Lee, 2015) and has now become an investor who invests in developed and politically stable countries (Anderson and Sutherland, 2015; Chen and Tang, 2014; Cui and Jiang, 2009; Salidjanova, 2011; Yao and Wang, 2014). Moreover, China has made her way from just what is often described as asset, brand and technology seeking to technology exporting (He and Lyles, 2008; Rabe and Gippner, 2017; Araújo and Cardenal, 2013). Table 1 summarises the Chinese OFDI in the last ten years, 2011-2020 according to two sources, the China Global Investment Tracker (CGIT) and Chinese Ministry of Commerce (MOFCOM).

Table 1 Chinese Foreign Direct Investment Outflow (COFDI), 2011-2020 (in billion US$)

Data Source	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
CGIT	70.2	79.8	78.6	101.0	119.5	163.7	171.0	123.1	89.2	30.5	**1026.6**
GROWTH %		+14	–2	+28	+18	+37	+4	–28	–27	–66	
MOFCOM	74.7	87.8	107.8	123.1	145.7	196.2	158.3	143.0	136.9	132.8	**1306.3**
GROWTH %		+18	+23	+14	+18	+35	–20	–10	–4	–3	

Source: Scissors (2021: 3).

One key trend in Chinese OFDI in the last ten or twelve years has as well challenged the conventional wisdom that China is investing more in the developing world. Instead, the developed world received the largest amount of the total Chinese OFDI, with US as the country receiving a top lion's share of the total Chinese investments outflow. According to Scissors (2021: 5), the top recipients of Chinese FDI were the US 185.0, Australia 101.2, Britain 95.2, Switzerland 61.2, Brazil 60.7, Canada 56.9, Germany 47.6, Singapore 36.2, Russia 34.4, and France 32.2, billion US dollars respectively. All in total, they received about $710.6 billion, equal to 56% of the total Chinese OFDI between 2005 and 2020. This is against what is often conveyed, about developing world as the major destination of Chinese investment. In addition, in terms of distribution of the total value of Chinese OFDI and construction combined, a total of $2.1 trillion was invested, Europe ranked first receiving a total of $428.2 billion, followed by the Sub-Saharan Africa, which received $ 303.2 billion. The region that followed was West Asia which received $302.1 billion, followed by East Asia which received $300.6 billion, then North America (US included) which received $261.8 billion, Arab Middle East and North Africa (MENA) which received $196.9 billion, South America which received 182.9 billion, and Australia which received $119.9 billion respectively (Scissors, 2021: 6). Even under this category, which combines Chinese OFDI with construction, an area describing China's engagement with the developing world and Sub-Saharan Africa in particular, the region still received less amount compared to the other regions. It received, $303.3 billion compared to developed world, especially West and East Asia, which received $602.7 billion, followed by Europe which received $428.2 billion from the total of $2.1 trillion of China's global investment and construction (Scissors, 2021: 6). From these figures, one can argue that China is seriously engaging in the provision of global economic goods all over the world and thus playing a key role in global economic governance.

OFDI in developed world and Europe in particular needs a caveat, especially when examined in terms of what happened in the post financial crisis period. Economic crisis in Europe and the Eurozone in particular pushed countries to attract more Chinese investment in Europe. Three things were evident. First, the economic meltdown rendered many European companies incapable to continue with production at a full scale and hence risking workers' layoff. To cope with the situation, some companies were seriously seeking for investors. Since both the US and the rest of European countries and firms were severely hit by the crisis, China, whose economy was less affected, became the main source for investment (Meunier, 2014; Rabe and Gippner, 2017; Araújo and Cardenal, 2013). For example, Media acquisition of KUKA robotic company was only possible because there were neither European nor American companies that could outpace the amount that this Chinese home appliance company bid. In addition, in spite of the social and political tensions in opposition for Media acquisition of KUKA AG, the high office was able to give a go ahead for any company to bid, and allow the winner to acquire the company on sale regardless of where the investor came from (Rabe and Gippner, 2017: 473-476).

Second, there were the lowering investment standards to allow easy flow of Chinese capital into Europe. Cases in point are the European initiatives to attract Chinese capital through a number of incentives such as financial and fiscal, operational and assistance like the Research and Development (R &D) grant loans and those focusing on citizenship and residency (see Meunier, 2014: 294-299). The third issue was opening doors for Chinese investment in strategic infrastructure, an area that was traditionally restricted for external investors for security purpose. This was evidenced by the Chinese acquisition of tenders to construct infrastructures such as airports, harbours and railways in Iceland, Greece, and Spain, and China's winning of the bid to construct a nuclear power plant in the UK (Meunier, 2014; Rabe and Gippner, 2017; Araújo and Cardenal, 2013). With the latter, it also signified China's advances and readiness for technological transfer to the developed countries, something unusual.

4. The Future of China's Engagement in Global Economic Governance

One of the implications of the 2008-09 financial crisis is related to China's confidence in its economic statecraft machinery which is now defined in a number of economic policy adjustments prompting China to take "a more proactive leadership role, reforming economic governance, and exercising greater international influence" (Wong, 2019). The launching of BRI twin projects and the lead to establish AIIB are significant marks in this endeavor. Because of these, the future of China's contribution to global economic governance is likely to be carried under two major economic projects. The first is the proposed Belt and Road Initiative (BRI) and the second is the establishment of the China-led Asia Infrastructure Investment Bank (AIIB). In fact, under Xi Jinping, China is more articulate and bold in the sense that it has put in place and adopted a foreign and economic policy that seems to be more definitive in terms of what China wants from the world and what it wants to do for the world.

This part examines the trajectories of China's future engagement in global economic governance. It concentrates on discussing the implication of the China-initiated BRI infrastructure-financing plan, and China's membership to AIIB as a country, which is behind its establishment but also having the majority share. Within these, and especially the establishment AIIB, China has demonstrated not only her ability to plan and come out with possible future solutions, but also her readiness to work with others. This section is divided into two subsections. The first focuses on the prospects of China's future participation in global economic governance through its newly proposed development strategy, the Belt and Road Initiative (BRI), while the second sub-section advances the possible future roles of China in global economic governance through the newly established bank, the AIIB.

4.1. BRI and the Future of China's Global Economic Governance

Belt and Road Initiative (BRI) is an official name of the development strategy or grand Chinese economic initiative previously known as One Belt, One Road (OBOR). It comprises of twin economic initiatives, the 'Silk Road Economic Belt (SREB)' that was launched by China's President Xi Jinping in September 2013 during his visit to Kazakhstan, and the 'Maritime Silk Road of the Twenty-First Century' Initiative (MSRI)', also launched by President Xi Jinping during his visit to Indonesia (Rana and Ji, 2020a). Given the existing global economic governance architecture, BRI provides a new framework that will define China's ways of providing economic goods to the world and possibly restore the historical place of China in economic affairs through infrastructure financing to establish connection among countries all across the continents for the betterment of the world.

Although China's economic progress since 2010 may not have shocked many, its recent dramatic re-emergence at the centre of world politics throws familiar issues into nearly sharp relief (Beeson and Bisley, 2013). One of the issues is the BRI. Since it was launched in 2013, it has been of much interest to policy makers (Blanchard ed., 2021; 2019; 2018; Blanchard and Flint, 2017; Rana and Ji, 2020a), and as of 2015 this concept has expanded immensely as a vision that links China to Asia, Europe and Africa in trade, development and culture. In fact, China's BRI forms "the centrepiece of the economic, political, and strategic policy framework of the fifth generation leadership of China" (Ehizuelen and Abdi, 2018: 393) new foreign policy. However, although BRI remains an "important topic in international discussion, which has much to do with some broad topics, such as [the] rise of China, the direction of China's foreign policy and [the] China-US rivalry in Asia Pacific regional order" (Wang, 2016: 455). And as of now, and echoing Bhattacharya (2016); Fallon (2015); Fasslabend (2015), Blanchard and

Flint (2017: 224) observed that although the "coverage of BRI in policy papers and the mass media has been steadily expanding, there are, relatively speaking, a few academic treatments of this initiative."

China is clearly a pivot to the Silk Road (SR), both old and new. Geographically, the SR comprised of two parts: the overland SR and the maritime SR, with the former being more established and better known (Zheng and Lim, 2015: 7). The overland Silk Road, that was more than 10,000 km long connecting China to Rome can be traced back to the Han Dynasty (206 BC–220 AD) when imperial envoy Zhang Qian was sent to China's far West to develop friendly relations. The other road, the Maritime Silk Road was introduced slightly later. It began when the Chinese ventured into Southeast Asia, traditionally called Nanyang, particularly during the Song Dynasty (960-1279) (Ehizuelen and Abdi, 2018: 386). Even from the economic perspective, China was also a pivot to the ancient SR because the Chinese economy was historically not only larger but also relatively more developed than those states along the trade routes (Zheng and Lim, 2015: 8). Given this historic, economic and geographic traces of these routes, the new BRI reflect another one more significant aspect of the new era. It represents "a more proactive approach by the Chinese President Xi Jinping to the global anticipations concerning China's international obligation and leadership" (Ehizuelen and Abdi, 2018: 387) and how China is set to contribute significantly to global governance and global economic governance in particular. In addition, it evidences how China is determined to influence the world by creating new grand economic projects at the global scale.

Since "China's economic and political ascent signals an epochal change" (Mayer (ed.), 2018: 1); it makes sense to examine what these ascent signals mean in terms of economic, strategic and geopolitical implications of BRI, one being how China is providing or likely to provide economic goods to the world through this initiative.

Economically, BRI was conceived to solve two major problems of the Chinese economy: overcapacity and excessive foreign exchange reserve (Wang, 2016). However, one wonders how China can distance itself from resorting to use BRI for geopolitical, hegemonic or empire-building motives (Bhattacharya, 2016; Fallon, 2015; Fasslabend, 2015). As of today, BRI seems not only a dream but a reality. Moreover, among many others, BRI intends to create "six economic corridors encompassing more than 60 countries in Asia, Europe and Africa so as to encourage trade and investment among those countries" (Huang, Fischer and Xu, 2017: 160). This is likely to transform how China will relate with the rest of the world especially in relation to its provision of economic goods.

The envisaged overland SREB will consist of railway links through Central Asia, Iran, and Turkey that would circumvent with railway connections through Russia itself along the trans-Siberian Railway line (Fallon, 2015: 15). On the other hand, the sea route (MSRI) is expected to begin from Fuzhou (a city in Fujian, China) and then to Southeast Asia through the South China Sea and then via the Malacca Strait, Indian Ocean and Mediterranean Europe. The other route will go directly from Kolkata India to Nairobi Kenya. In addition, it will as well connect from Europe, Mediterranean and Suez Canal and branch to various Eastern African countries such as Djibouti, Kenya, Madagascar, Mozambique, and Tanzania (Blanchard and Flint, 2017: 226). Once completed, BRI is expected to promote connectivity in the fields of trade, infrastructure and currency through multilayered collaboration among relevant countries and international organizations, leading to increased trade and cooperation among nations.

Scholarship on BRI has been steady and expanding. Since the launch of BRI, there have been two major kinds of views. From a number of "'cheerleaders' who see it as part of a benevolent development project led by the Peoples Republic of China to doom laden geopolitical representations that portray the project as another step towards an inevitable confrontation between the United States and China over dominion in the Asia Pacific Region and global hegemony" (Blanchard and Flint, 2017: 238). Although, emphasis has been always on economic benefits; some, studies have indicated that there are some geopolitical motives linkage with China's BRI (Fallon, 2015; Sidaway and Woon, 2017; Summers, 2016). For example, for Fallon's (2015: 140-141) views BRI as having three drivers: (1) energy, (2) security, (3) markets. Like the silken strands on a loom, these drivers will weave together to create a fabric of interconnected transport corridors and port facilities that will boost trade, improve security, and aid strategic penetration, or simply "'great rejuvenation of the nation,' as it is an expression of China's confidence and international clout" (Fallon, 2015: 140). In addition, Yu (2017: 368) further cements that BRI "form[s] the centrepiece of the Chinese leadership's new foreign policy and is a reflection of China's ascendancy in the global arena, economically, politically, and strategically." Making it more explicit, Zhao (2016: 114) observes that some European policy elites view BRI as China's own Marshall Plan, and that China intends to leverage the initiative to transform its economic power into geopolitical influence, increase its control over the Eurasian continent, and promote the Chinese version of globalization. As such, "from geopolitical and geo-economic perspectives, BRI is bound to alter relations between China and Europe, Russia, the United States, and other major powers" (Zhao, 2016: 109). Moreover, if executed successfully, BRI may lead to the creation of a single Asian-European or perhaps even a single Asian-European-Africa trading bloc, which would challenge the present US-centred trans-Atlantic and trans-Pacific trading bloc (*The Economist*, 2016). This will be one of the significant economic master plans since US Marshall Plan, which will not only alter the centre of economic logics, but which might compel those outside the belt to seek affiliation with the bloc. This envisaged Asian-European-Africa economic bloc and probably even Chinese OFDI are likely to be negotiated based on membership affiliation to this anticipated economic logic.

4.2. AIIB and the Future of China's Global Economic Governance

The Asia Infrastructure Investment Bank (AIIB) is China's second brainchild institution for global economic governance. This is a bank of its kind in which China has demonstrated not only ability to plan and come out with possible future solutions to the chronic problems facing BWIs, but also readiness to work with others in solving global challenges. Thus, this sub-section examines the trajectories and the future of China's engagement in global governance through AIIB. AIIB is a multilateral development bank whose mission is to improve people's social and economic welfare by investing in sustainable infrastructure and other productive sectors and connecting people with services and markets. It also aims at building a better future in Asia and elsewhere (*https://www.aiib.org/en/about-aiib/index.html*). Its formation explicitly reveals China's detestation against the politics that has kept her down in terms of influence within the BWIs despite the fact that it is the second largest economy in the world. As such many scholars equate the move to establish AIIB as an expression of China's dissatisfaction with governance structures within the BWIs, which continually relegate China to a less influential position regardless of the actual economic strength that she (China) has (Dollar, 2015). But as per Chow, (2016: 1273), the idea to establish AIIB was a sign of China's peaceful nature, that is to say, "instead of fighting a battle for greater power in the World Bank and IMF that it could not win, China decided to set up its own bank where it would play the leading role."

AIIB became operational on January 16th 2016 although the idea to create it came much earlier in 2013. Its establishment is related to two important things. First is the political change in China that brought in Xi Jinping into power as the president in 2012. Second, it is linked to an earlier publication, the Asia Development Banks (ADB) report of 2009. In this report it was projected that Asian countries' needs for infrastructure between 2010 and 2020 would be almost 8 trillion US Dollars plus an addition of 290 billion US Dollars for regional transport and energy projects (Ren, 2016: 436). These were in addition to China's economic acceleration in 2010 as the second largest economy in the world and as a country with a huge foreign-exchange reserve of about $3.82 trillion. With these in place, one of the emerging questions was "how China should constructively and effectively use its newly acquired economic power and resources, especially against the backdrop of the on-going debate on whether it was wise for China to continuously purchase US Treasury bonds" (Ren, 2016: 435). The response was almost obvious: to establish a new financial institution that could address both – an overdue of Deng Xiaoping, Jiang Zemin and Hu Jintao's '*tao guang yang hui*' (韜光養晦) policy, that basically meant keeping a low profile which no longer stood the test of time. The other was the imperative for establishing an institution, which could address the economic challenge ahead by taping the prospective economic opportunities of funding infrastructure projects in Asia.

However, the establishment of AIIB is often described as a response to China's rivalry over the US-led BWIs. According to Callaghan and Hubbard (2016: 116), China led the establishment of the bank because she was "frustrated with the United States' reluctance to cede her power at the International Monetary Fund (IMF), and the World Bank, and so she decided to usurp the United States' economic leadership by creating her own institutions in order to challenge the Bretton Woods institutions." This is significantly a divergence from the previously popularised long-term reasons and is probably one of the extreme misinterpretations of the observations by the former president of Harvard University and former US Treasury Secretary Lawrence Summers who is often quoted as having commented on the establishment of AIIB as follows:

> I can think of no event since Bretton Woods comparable to the combination of China's effort to establish a major new institution and the failure of the United States to persuade dozens of its traditional allies, starting with Britain, to stay out. This failure of strategy and tactics was a long time coming, and it should lead to a comprehensive review of the U.S. approach to global economics. With China's economic size rivalling that of the United States and emerging markets accounting for at least half of world output, the global economic architecture needs substantial adjustment,
>
> (Summers, 2015, as cited by Chow, 2016: 1261)

Such testimony reflects the danger, which the US felt on learning that China was establishing a new and prestigious multilateral bank. One of the remarkable observations associated with such US leadership's failure to convince its closest traditional allies particularly Britain not to join the new bank has been in the media. For the US media, such failure, as Chow (2016: 1276) quotes them, was "a diplomatic disaster and a humiliation for the Obama administration." Although change of political leadership, and the aspiration to meet the needs of infrastructural projects in Asian countries that cannot be adequately and timely financed by ADB, IMF and the World Bank; serve as the fundamental reasons for the establishment of AIIB (Dollar, 2015), it is often and famously linked to China's frustrations within the BWIs. As for Ren, (2016: 436), although "for years, China had wished to have a greater say in the existing international institutions like World Bank, the International Monetary Fund (IMF) and ADB, reforms to better reflect China's increased economic power and status had encountered resistance and had been painfully slow. In addition to that are the long tradition of the US unwillingness to cede power and the general negative sentiments towards China in the US Congress, which were viewed or perceived by China as blocks for the possibility of gaining a real clout within the BWIs (Chow, 2016: 1271-1273). With regard to space within the ADB, although China has the second largest economy, the tradition of Japanese dominance in ADB is as well maintained. For example, Japan holds the position of the bank's president while she (Japan) and the US hold two times more voting rights than China by 12.80, 12.752 against 5.477 percent by Japan, the US and China respectively, something that makes China uncomfortable within the ADB. These are said to be the reasons that have prompted China to create this new bank as the best and amicable solution to accommodate all the arguments advanced. The remaining question was how China would avoid the pitfall of what it has been complaining against within ADB, IMF and the World Bank.

China's success in attracting non-Asian countries particularly US allies to join the bank remains one of the key successes in AIIB's establishment process (Dollar, 2015). This defines China's ability to organize and provide global leadership. According to (Ren, 2016: 438), one of the reasons behind this success was China's open mindedness and inclusiveness in accommodating other opinions in the creation of this institution. In addition, the question of veto power did not occupy the central theme of discussion, something that increased trust among all members interested in the establishment of an inclusive financial institution of the twenty first century. Because of this, the idea about

AIIB was quickly accepted and has been experiencing fast expansion in terms of membership to the bank. Moreover, on March 31, 2018, from the 57 founding members, membership to the bank has expanded to 86. This is not a simple indication of future success.

Then, how likely is China to influence the global economic governance through AIIB? This is a question that is going to be answered fully as time unfolds and AIIB functions. Yet, few things can be commented on in terms of what is likely to happen based on the existing structures of decision making within the AIIB. First, China's quota in the bank is the biggest and hence has the largest voting share amounting to 26.06 percent of the total bank voting rights almost three times to the country that follows which is India, which has 7.51 percent of the voting rights. Others with a little and considerable share of voting rights are Russia with 5.93 and then Germany with 4.15 percent of voting rights respectively. As such, "China's voting power in the AIIB is currently significantly larger than the United States' 15.02 percent voting share in the World Bank and Japan's 12.84 per cent voting share in the ADB" (Callaghan and Hubbard, 2016: 129). What this entails is that China will always have a hand in all key issues and in the decision-making process within the bank.

Second, China holds key positions in using its veto to decide on some important matters within the bank. For example, compared to the US in the World Bank, "China has a veto power over the appointment of the AIIB' President whereas the influence of the US in the World Bank and Japan in the ADB depends on informal arrangements" (Callaghan and Hubbard, 2016: 130). Together with this, China is privileged to use its veto in other key decision-making issues including, "increasing the bank's capital; increasing the capital subscription of a member; expanding the operations of the bank; changing the size of the board of directors; changing the structure of the board; appointing or removing the president; suspending a member; terminating the bank and distributing its assets; and amending the Articles" (Callaghan and Hubbard, 2016: 129-130). This is a potential for influencing decisions, which satisfies the long-awaited desire for having such ability in a multilateral organization.

Given these two together with the economic size, which is predicted to continue with positive growth and the gains that China is likely to obtain through investing some of her capital in lending in the bank, one can predict the future of China in global economic governance through AIIB. As such, though it cannot be argued as of now that China is determined to rule the world through economic institutions, given that the establishment of AIIB which is in itself framed within the BRI philosophy, China is likely to be the world's leading source of economic goods. As such, AIIB is likely to provide a critical challenge to ADB, IMF and the World Bank, which since their establishment have enjoyed the status of being major capital lending institutions globally.

5. Challenges facing China's BRI and AIIB

While there are numerous lessons that China has learnt from the mistakes she has been making in her economic strategies, the country still faces a number of challenges in relation to its newly proposed institutions of global economic governance. There have been some concerns related the invitation made by China to welcome other countries to join in her newly proposed financing plan, the BRI and the newly launched AIIB. Thus, the invitation has been received with mixed feelings (Wong, 2019). Although more and more countries have been joining the proposed infrastructure financing institutions, some others have been sceptical about them, while more of the resistance has been waged against BRI (Dollar, 2015). As from 2017, for example, within the academia, a new line of critical thinking towards China's BRI, has evolved and gained attention both from East to West.

A novel framing of the implication of the proposed Chinese financing schemes has emerged, under which China's plan has been dubbed as "Debt-Trap Diplomacy". The term Debt-Trap Diplomacy is credited to an editorial piece titled "China's Debt-Trap Diplomacy", which first appeared in the *Project Syndicate* magazine January 23, 2017. This piece was by authored by Brahma Chellaney, a professor of Strategic Studies at the New Delhi-based Centre for Policy Research and Fellowship at the Robert Bosch Academy in Berlin. As such, the subsequent analyses which attribute negative effects to Chinese-financed projects often give credit to this formulation (Rana and Ji, 2020a; Hurley, Morris and Portelance, 2018; Jones and Hameiri, 2020). Essentially, the debt-trap diplomacy entails "luring poor developing countries into agreeing unsustainable loans to pursue infrastructure projects so that, when they experience financial difficulty, Beijing can seize the asset, thereby extending its strategic or military reach" (Jones and Hameiri, 2020: 3). To Challaney (2017), the aim of China's Belt and Road Initiative (BRI) was to saddle small nations with debt to such an extent that they cannot be able to repay thus, "leaving them even more firmly under China's thumb."

In fact, the debt-trap diplomacy (DTD) formulation emanated from the critical examination of China's BRI-related financing for the updating of the fishing harbour of Hambantota into a mega container transhipment international port. In addition, it is linked to China's loans for the construction of the East Coast Rail Link (ECRL) in Malaysia, which is associated with China's strategic interests along the Strait of Malacca (Melaka) (Jones and Hameiri, 2020). Since then, Sri Lanka and Malaysia have come to represent two most widely cited 'victims' of DTD. Further DTD has emerged as one of the frameworks guiding the discussion on the negative consequences and the accusations advanced against of China's financing schemes, especially those related to BRI and to some extent AIIB (Rana and Ji, 2020a; Hurley, Morris and Portelance, 2018; Jones and Hameiri, 2020).

Critics of China's infrastructure-financing institutions peg their arguments on a number of things, including lack of transparency in Chinese deals project cost inflation, the possibility of dual use of the Chinese-built ports and the accusation that China aspires to manipulate economic power for statecraft and strategic gains (Bhattacharya, 2016; Fallon, 2015; Fasslabend, 2015). Some, however, object these accusations and even speculate how much of debt is owed by those reference countries to China (Hurley, Morris and Portelance, 2018; Jones and Hameiri, 2020). However, what remains puzzling is what could be behind the growing Chinese appetite for lending countries whose economies seem not in position to repay the loans. Nevertheless, it remains true that the infrastructure financing through BRI comes with a number of challenges associated the nature of projects funded. As Hurley, Morris and Portelance (2018: 1) put it, "Infrastructure financing, which often entails lending to sovereigns or the use of a sovereign guarantee, can create challenges for sovereign debt sustainability. And when the creditor itself is a sovereign, or has official ties to a sovereign as do China's policy banks – China Development Bank (CDB), the Export-Import Bank of China (China Exim Bank), and the Agricultural Development Bank of China (ADBC) – these challenges often affect the bilateral relationship between the two governments." This is critical, as it is an antithesis to the commonly practiced procedure from the multilateral financial institutions such as the World Bank.

Lack of clarity in the rebranding and repackaging of projects launched earlier before the pronouncement of BRI in 2013 is another troublesome aspect of BRI financing. The list of these projects is long and includes often praised BRI projects inside and outside Asia, such as the China-Pakistan Economic Corridor (CPEC), the Djibouti-Ethiopia SGR (Blanchard and Ziso, 2021), the Multi-Purpose Port (MPP) at Doraleh in Djibouti (Styan, 2021), the Kenyan Mombasa-Nairobi SGR (Mboya, 2021), and the frozen MSRI project, the Bagamoyo Port complex in Tanzania (Masabo, 2021). This plus the fact that there is no official list of all BRI funded projects make it hard to even pinpoint the impact of BRI infrastructure financing.

In addition to that, there is another critical challenge that the BRI especially the Silk belt Economic Road (SBER) is facing, the one direction belt road. There is a growing concern among analysists on the economic return of this proposed land infrastructure. While it is true that it will shorten the time to reach in Europe, the concern has been in terms of cargo from Europe. Studies report that, "the 12,000-km China–Europe railway will have up to 45 per cent surplus capacity on the return journey, rendering it loss-making without Chinese government subsidies of $1,000–$7,000 per container (Hillman, 2018). Therefore, if that is the case (which is likely to be case given the move toward Made-in-China 2025), there will be less import from Europe to China and thus magnifying the loss.

Because of these and many other issues related to corruption scandals in the Chinese economic initiatives, slowly, countries are becoming cautious with the economic incentives from China including those associated with BRI, but more and more are joining the AIIB (Dollar, 2015), which in itself is good for China. Given the impact of Covid-19 pandemic to the economies of the world, there seems to be a possibility that China will soon assume a position as the number one economy in the world, probably by 2028. If this is to happen, then, no matter how bad China's introduced schemes may be, many countries will not have a chance to object them.

Although commenting on China's proposed infrastructure financing schemes and associating the debt distress of the recipient countries to DTD have picked up, there are emerging counter arguments that challenge this line of thinking (Jones and Hameiri, 2020; Singh, 2021; Brautigam and Rithmire, 2021). The proponents of these arguments hold that, instead keeping thinking of debt-trap diplomacy, our understanding need to be re-oriented since the "bumps on the Belt and Road are typically caused by the intersection between powerful interests and [the] associated governance shortcomings on the Chinese and recipient sides" (Jones and Hameiri, 2020: 11). To them, DTD is a myth and is an overexertion. The reaction has been to debunk the CDTD thesis. Some of these include Lee Jones and Shahar Hameiri (2020), 'Debunking the myth of 'debt-trap diplomacy': How recipient countries shape China's Belt and Road Initiative'; Pradumna B. Rana and Xianbai Ji (2020a), *China's Belt and Road Initiative: Impacts on Asia and policy agenda*; and John Hurley, Scott Morris and Gailyn Portelance (2018), 'Examining the debt implications of the Belt and Road Initiative from a policy perspective'. Though acknowledging other challenges related to BRI infrastructure financing, they seem to be convinced that the bumps on the Belt and Road are typically caused by the intersection between powerful interests and associated governance shortcomings on the Chinese and recipient sides (Jones and Hameiri, 2020: 11). For instance, in their book Rana and Ji (2020a) (see also Rana and Ji (2020b) in *The Diplomat*, 6th November 2020) make three arguments against the DTD thesis.

First, after having considered both the benefits and costs of the BRI, on balance, 41.6 percent of the respondents believed that the BRI represented a net benefit for their countries while only 17.8 percent said that it was a net loss. Second, on the DTD thesis itself, more than 42 percent of the respondents to our stakeholder survey rejected the alarmist narrative, although it is important to bear in mind that 30.6 percent felt otherwise. More than a quarter (27.3 percent) of the respondents had not made up their minds yet. Third, using the methodology developed by the Center for Global Development, which focuses on the level of public and publicly guaranteed debt-to-GDP ratio, we found that three out of the five South Asian countries are presently having a debt distress. These are Sri Lanka, Pakistan and the Maldives. However, Sri Lanka owes more to Japan than to China, which holds only 3 percent of its debt.

That said; close reading of the very literature debunking DTD indicates that China's conduct in pursuing this financing scheme still leaves a lot to be desired. For instance, although scholars such as Jones and Hameiri (2020) have objected the use of DTD as a correct reference to Chinese funding of the Hambantota port; they still acknowledge that the construction to have been directed by China Harbour Engineering Group (CHEG). This Chinese SOE which seduced the government in Colombo to transform and expand Hambantota port from just a small fishing harbour into a megaproject by offering a free feasibility study and exaggerating the likely economic benefits (Jones and Hameiri, 2020: 14). Thus, while China's institutions proposed for global economic governance are positioned to make an impact and provide an alternative to the project financing that is often frowned by the major BWI, for AIIB and BRI to really make an impact, important adjustments will have to be made These ought to touch many aspects such as project financing transparency, proper organisation of the funding and developing a template for better practice.

6. Conclusion

This paper has analysed China's participation in the existing institutions of global economic governance and her leadership in creating new ones. It has examined China's participation in the BWIs, its provision of OFDI and the implications of its participation through the AIIB and BRI. It is evident that the topic is wide and complex, and what is provided is just a tip of the iceberg. Nevertheless, the paper has made an analysis of selected issues by tracing their origin and capturing their possible implications on global economic governance. The central goal of the analysis has been to understand the evolution continuum of China's engagement in global economic governance.

From analysis made, two findings were evident. First, China's participation in the existing institutions of global economic governance does not reflect its growing dominance in economic matters (Shi and Langjia, 2020). Although China has become the second largest economy and the second most reliable source of OFDI in the world, its role in the major institutions of global economic governance such as ADB, IMF and the World Bank has continued to be almost the same. Probably, that is why it is often categorized a developing country despite the fact that its economy is bigger than any other economy in the world except that of USA. As such, since 2012, China has stood up to address her diminished recognition as the second largest economy and most populous country in the world. The second finding is that, because of her low perceived status within the existing world institutions, China is seeking alternatives outside the existing global economic system. Together with the move towards a closer relationship with the Association South East Asian Nations (ASEAN) as well as BRICS, China has made radical steps to lead the way by proposing and leading the process for the establishment of a new multilateral bank, the AIIB. Since Japan and the US strongly oppose this establishment, there is a possibility of posing threats to the future of the global economy and its governance.

Based on these findings and the dynamics within the global economic governance architecture, the paper concludes that it is too early to predict the end of the existing global economic governance architecture. While there have been notable challenges, fragmentations and at times legitimacy crises, the existing global governance or global economic governance is still relevant. As we is a witness to the growing collaboration through decentralisation and integration among actors as well as institutions, such as the proposed memorandum of understanding between ADB and AIIB, which have agreed to collaborate in financing infrastructure projects in Asia; there is the hope for amicable future collaboration among existing and emerging new institutions of global economic governance. Thus, while the elements of fragmentation will likely continue to characterise the trends of global governance, with the way the economies of the world are interwoven, it is not easy for the global governance architecture to fall although tensions must be expected.

Given the fact that the establishment of institutions like AIIB, can lead to rivalry among the major economic powers in the future this paper proposes ways to mediate for their co-existence. There is a need for all the major actors to come together and define the model of coexistence since continued tensions and frictions are likely to retard the economic progress made in the world and possibly cause other crises. Contenders of China's rise have to accept the reality that China of today is not the same as that of several years back. Her current economic power and contribution to OFDI define her place in the world differently. However, China ought to realise that her current economic might is a result what it has been benefiting from the liberal economic order and that there is no reason for dismantling the existing institutions of economic governance but rather continue pushing for reforms. China owes her success to this order since that was the major source of funding, which financed most of her development projects. She must also realise that, given her lion share of voting rights in AIIB and the kind of money she is going to lend to countries through BRI, she might end up behaving just like the US within the BWIs. Furthermore, given the volatility of the global economy, it is better for both the market-owned and state-owned economies to coexist as a way to save one another like the way the market-owned economies have benefitted from the state-run economies and vice versa.

Note

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