

REVISITING THE LIBERAL LEVIATHAN: CHINA AND AN ALTERNATE LIBERAL
ORDER

BY

MAJOR JOHN S. WALLACE, UNITED STATES AIR FORCE

A THESIS PRESENTED TO THE FACULTY OF THE SCHOOL OF ADVANCED AIR AND
SPACE STUDIES FOR COMPLETION OF GRADUATION REQUIREMENTS

SCHOOL OF ADVANCED AIR AND SPACE STUDIES

AIR UNIVERSITY

MAXWELL AIR FORCE BASE, ALABAMA

JUNE 2017



DISCLAIMER

The conclusion and opinions expressed in this document are those of the author. They do not reflect the official position of the US Government, Department of Defense, or the United States Air Force.



ABOUT THE AUTHOR

Major John S. Wallace commissioned into the United States Air Force in 2004. He is an Intelligence Officer with multiple assignments in tactical and national ISR units. He has multiple combat deployments supporting US and coalition operations in Afghanistan and Iraq. He holds a Bachelor of Arts in Political Science from Tuskegee University, a Masters of Arts in Strategic Intelligence from American Military University, and Masters in Operational Art and Science from Air Command and Staff College.



ACKNOWLEDGMENTS

I would like to thank my thesis advisor, Col Shawn “Johnny” Cochrane, for his encouragement and guidance during this project. Also, Dr. Derrick Frazier, for his review of the final draft and suggestions for improvement.

I would also like to acknowledge the staff at MSFRIC, Maxwell AFB, for their help with my request for information.

Finally, thank you to my wife and daughter for their patience, love, and support throughout this year. My burdens have been shared as our burdens. This was truly a family effort.



ABSTRACT

This study analyzes China's recent political activity in the context of three potential paths to great power status. The author shows how China's recent adoption of the One Bridge, One Road initiative and founding of the Asian Investment Infrastructure Bank are more consistent with an intent to create an alternate liberal order. China is no longer content to rise within the existing US-led liberal order, but an alternate Chinese-led order would not necessarily be illiberal in nature. China's increasing frustration with impediments to further growth and influence in the existing US-led order, coupled with new-found economic power, has fueled China's desire to construct an alternate order. Also, the crisis of authority stemming from US unilateral actions under the Bush administration along with US economic missteps have created the necessary space for China's emergence as a new global leader. But a Chinese-dominated international order would not, as many analysts suggest, eschew liberal economic and political tenets. Although China is seeking to create an alternate order, key elements of the existing liberal order would persist, to include the use of multilateral institutions, economic cooperation based on free trade, and the incorporation of a rules-based system of international governance. However, a Chinese liberal order would be distinct from the present system in terms of new economic institutions without political strings attached and an increased emphasis on nation-state sovereignty and the norm of non-interference in domestic affairs.

CONTENTS

Chapter	Page
DISCLAIMER	ii
ABOUT THE AUTHOR	iii
ACKNOWLEDGEMENTS	iv
ABSTRACT	v
INTRODUCTION	1
1. INTERNATIONAL ORDER	7
2. PREVAILING OUTLOOKS ON THE RISE OF CHINA	17
3. CHINA'S ALTERNATE LIBERAL ORDER	23
4. CASE STUDY ONE – CHINA'S ONE BRIDGE ONE ROAD	39
5. CASE STUDY TWO - ASIAN INFRASTRUCTURE INVESTMENT BANK.....	55
CONCLUSION	69
BIBLIOGRAPHY	76

Illustrations

Table

1. 3 Path Comparisons
2. OBOR Path Comparison
3. AIIB Path Comparison

Figure

1. OBOR's Silk Economic Belt and 21st Century Maritime Silk Road
2. OBOR's Six Economic Corridors

Introduction

In recent years, it has become evident that the consensus upholding this system is facing increasing pressures, from within and from without... It's imperative that we act urgently to defend the liberal international order.

- **Joe Biden**

China's rise has stimulated much debate about the implications for international order and global stability. Common to most arguments is the notion that in the coming years, the US will likely have a diminished role and China will conversely increase its influence. In addition, most analysts suggest a Chinese ascent will likely occur through political and economic maneuvers, along with various forms of soft power, as opposed to overt military action given the risk of provoking an American backlash.¹ Despite these commonalities, there is a significant divergence in opinion regarding China's path to power.

On the optimistic end of the spectrum is the view of China as a conservative status quo power that has substantially benefited from the existing liberal order and therefore seeks to increase its status in the existing liberal order vice seeking to overthrow it.² Supporters of this view contend that China is a rising power that should be encouraged and embraced as a key partner in the existing order, and not treated as an adversary that needs to be contained.

The opposing perspective, informed by international relations realism, paints a much bleaker picture. This outlook maintains that China is a revisionist state seeking to overthrow the

¹ Zhu, Feng. *China's Ascent: Power, Security, and the Future of International Politics*. Edited by Robert S. Ross Et al., United States, Cornell University Press, 14 Aug. 2008.

²Feng. *China's Ascent: Power, Security, and the Future of International Politics*, pg 34

existing order and ultimately replace it with a less open framework that caters to China's interests.³ Commonly referred to as the "Beijing model," this illiberal order would be organized around exclusive economic blocs and military spheres of influence and would eschew international institutions for state-to-state ties primarily in the form of patron-client relationships.⁴ This perspective rests on the broader assumption that China is not just a threat to US influence but also to liberal values and norms within the international system. Although both viewpoints are theoretically viable, each is dated and does not adequately account for China's changing worldview and recent shifts in Chinese foreign policy. To start, China no longer sees itself as a stakeholder in the existing order. It is arguable that China never viewed itself as a stakeholder, but the discontent has intensified as China continually faces impediments to further growth and international influence.

Also, the notion that China's ascent means an end to all things liberal is a holdover from the 1960s. Since the end of Mao's regime, China has witnessed the benefit of using multilateral cooperation and collaboration. In the mid-1990s, China began to embrace the use of multilateral frameworks to achieve political ends. Its increased participation in transnational organizations is indicative of this learning process. Many outside observers assume that the way China conducts its domestic politics will be mirrored on the international stage. This is a faulty assumption. The Chinese government can leverage liberal tenets in the facilitation of economic and security cooperation in the international domain and still not adhere to all the tenets of liberalism espoused by the West, especially within its domestic affairs.

³Feng. *China's Ascent: Power, Security, and the Future of International Politics*, pg 34

⁴ Feng. *China's Ascent: Power, Security, and the Future of International Politics*, pg 34

Furthermore, a serious limitation of the two conventional schools of thoughts on the rise of China is that neither can adequately account for China's recent international activity and the apparent shift in Chinese foreign policy. China has increasingly taken measures to build its influence and prestige on the world stage. The historical adherence to Deng Xiaoping's cautious political strategy that sought to "conceal brilliance and cultivate internal strength" appears to be a thing of the past. A reflection of China's shift away from its previous isolationist approach to its global outreach perspective is reflected in Chinese President Xi Jinping's 2012 declaration of his intent to position China as more of a central and cooperative player in the international arena.

Since Xi's announcement, the Chinese government has launched several initiatives that are indicative of a new approach to international relations inconsistent with either of the two conventional schools of thought. For example, China's recent launching of the One Bridge One Road (OBOR) initiative and creation of the multilateral Asian Investment Infrastructure Bank (AIIB) do not mesh with the view that China is content to rise within the American-led order or that China seeks to implement an illiberal order. Perhaps a rising China will follow a third path, one that to this point has not received much consideration by Western scholars and policymakers.

The Argument: An Alternate Liberal Order

This thesis seeks to comprehend the meaning of recent shifts in Chinese foreign policy. Specifically, this study seeks to understand whether China's recent international activity signifies a path to great power status distinct from the two prevailing viewpoints in the ongoing debate about the rise of China. Again, the first is undergirded by the assumption that China, as a

stakeholder, seeks to rise within the American-led order, while the second clings to the assumption that China seeks to continue its rise via the creation of an illiberal order.

The thesis' central claim is that China's recent political activity reflects intent to create an alternative liberal order to facilitate China's continued rise. China is no longer content to operate within the confines of the US-led international order but also sees value in the liberal facets of the existing order. Thus, to rival American global influence, China is embarking on the creation of an alternate order that is centered around its interests and caters to the developing world. In constructing its order, China is leveraging many of the elements present in the American-led order. For example, China is creating new institutions as a means of shifting nations away from the American sphere of influence and pulling nations closer to the Chinese orbit. To facilitate this process, China is leveraging multilateralism to garner legitimacy and secure international buy-in. Also, China is focusing on cooperation and coalition-building in the economic domain. Further, China is implementing rules-based frameworks to signal restraint and dispel concerns over Chinese corruption. Finally, China is promoting the primacy of state sovereignty and non-interference over other international norms, a move that both attracts other states and protects China from international critique for its own domestic policies and human rights violations.

While China is still in the early stages of constructing its new order, this study asserts that the basic contours are evident in China's recent international actions. China's adoption of the OBOR initiative, which seeks to connect China with over 60 nations through the creation of land sea trade routes that originate from Eastern China to Europe, is a major step towards the realization of an alternate liberal order. The OBOR initiative contains many of the liberal elements referenced in the previous paragraph and has the potential to foster economic

interdependence that could potentially bleed over into other areas of cooperation, thus increasing China's global influence and prestige.

In addition, the creation and international acceptance of the AIIB, a major international economic institution that excludes the United States, reflects a new model of global governance that contains liberal tenets but also places emphasis on state sovereignty conveyed through its “no strings” approach. OBOR and AIIB are two of the most important foreign policy initiatives China has undertaken in recent years. Studying these initiatives will thus provide clues as to the path China will traverse in its ascent to great power status.

Importance of this Study

Historically, contests between rising and status quo powers over the shape of the international order have resulted in major wars. While incremental changes to the international order are acceptable as long as the status quo power can adapt; however, substantial changes threaten stability. Thus, for the United States as the status quo power, understanding the course China is mostly likely to traverse in its ascent to power is a requirement for enabling measured adjustments and maintaining stability. As the United seeks to preserve its position of leadership in the international order despite declining relative capacity, an accurate picture of how China seeks to challenge the United States for leadership and influence is critical.

In addition, this study seeks to advance the discussion of China's rise away from the inaccurate dichotomic perspectives that currently exist, towards an accurate realist power transition framework that better suits the context of today's global environment. Also, while some may find elements in this study consistent with the traditional power transition framework,

the introduction of the alternative liberal order perspective is a nuanced addition that warrants discussion.

Empirical Analysis

Shaun Breslin states that China's foreign policy objectives need to be assessed through Chinese action rather than through any espoused doctrine.⁵ With this in mind, this study looks closely at China's OBOR initiative and the creation of the AIIB. These cases are important because they are recent and are likely representative of Chinese foreign policy in the coming years. To assess these cases, I first establish a set of indicators, or observable implications, for each of the three potential paths outlined above: Rise Within Liberal Order, Create Illiberal Order, Alternate Liberal Order. Then, with each case, I assess Chinese statements, actions, and policies against these indicators, looking for areas of consistency and inconsistency with the different paths.

Thesis Blueprint

To begin the study, Chapter 1 establishes a baseline understanding of international order. This section details the critical components of international order, how they are controlled, and how and why they change. Chapter 1 concludes with insight as to why the existing order is on the precipice of change. Chapter 2 outlines the two traditional schools of thought regarding China's rise. The arguments of John Ikenberry and Walter Meade are covered in depth to best capture and characterize the conventional wisdom. Chapter 3 introduces the third, alternate path

⁵ Shaun Breslin, 'China and the global order: signaling threat or friendship?', *International Affairs* 89: 3, May 2013, p. 633.

proposed in this study. It first discusses why there is a need to consider a new path and concludes with the identification of indicators associated with this path. Chapters 4 and 5 consist of the two case studies. Chapter 6 concludes with a study summary while highlighting key implications and recommended areas for future study.

Chapter 1

International Order

Every international system that the world has known has been the consequence...of realignments that have followed hegemonic struggles.

- **Robert Gilpin**

Before venturing further into the differing perspectives regarding China's rise, it is important to understand the concept of international order in more general terms. Borrowing from the works of Kenneth Waltz, John Mearsheimer, and Robert Gilpin, this chapter accordingly discusses what constitutes an order, who controls the order, and why orders change.

What Is an International Order?

Kenneth Waltz asserts that international orders are, in effect, political systems.⁶ And like other systems, the best way to understand an international order is by understanding its structure. Structures are important because they impose a set of constraining conditions. While agents and agencies act, the actions of agencies and agents are affected by the system's structure and corresponding restraints.⁷

When analyzing the structure of the international order, it is critical to first understand its units.⁸ Units in the international order take the form of the primary political unit of a given era.

⁶ Waltz, Kenneth N. 2010. *Theory of International Politics*. Long Grove, Ill.: Waveland Press Inc. 91

⁷ Waltz, *Theory of International Politics*, 74

⁸ Waltz, *Theory of International Politics*, 91

Historically such units have included city states and empires but today take the form of the modern nation-state. Although states are not the only actors in the international order, they are the order's defining units and thus most critical for study.⁹

Also, central to the current international order is the concept of anarchy in that this order effectively consists of "politics without government."¹⁰ This means that each state is functionally equal to the others; none is entitled to command, and none is required to obey. Within this "self-help" system, states largely fend for themselves and determine when and how best to coordinate with other actors in the system.¹¹ While certainly influenced by other players in the system, states are sovereign in that they can decide for themselves how to cope with both internal and external problems.

Another key characteristic is the distribution of power among states. Waltz asserts that since "units of an anarchic system are functionally undifferentiated they are distinguished primarily by their greater or lesser capabilities to perform tasks."¹² The capability to perform tasks corresponds directly to a state's power based on military and economic resources. Along these lines, John Mearsheimer distinguishes between latent power and military power. Latent power refers to the socio-economic ingredients that go into building military power. It is primarily based on a state's wealth and the overall size of the population.

Military power, on the other hand, is based largely on the readily available size and strength of a state's army and its supporting air and naval forces.¹³ States that are considered powerful

⁹ Waltz, *Theory of International Politics*, pg 93

¹⁰ Waltz, *Theory of International Politics*, pg 88

¹¹ Waltz, *Theory of International Politics*, pg 105

¹² Waltz, *Theory of International Politics*, pg 97

¹³ Mearsheimer, John J. 2003. *The Tragedy of Great Power Politics*. 1st ed. New York City: W.W Norton Company, Inc. 56

are those that possess the most formidable military forces.¹⁴ Nonetheless, capability and power calculations should not rest solely on military power since latent power can translate to vast military capability at a later stage.

In either case, latent and military power are relative. These measures are tabulated by comparing capabilities across states. Although capabilities are distinct attributes of states, the distribution of capabilities is not a state attribute, but rather an “order wide” concept.¹⁵ Since power lies at the heart of international orders, those with the greatest capabilities and power achieve the greatest influence and rise to the top of the ordering scheme. This is where the notion of “great powers” and their ability to set rules comes into play.

Who Sets the Rules of The Order?

Traditionally, analysts make distinctions between international political systems according to the number of great powers present.¹⁶ Great powers are significant because they have the most influence on the order and largely dictate the order’s norms. Great powers essentially serve as the “gatekeepers” of the specified order. Again, the international order serves to constrain states. This is largely a byproduct of the social and political influence of the great powers present. Great powers exercise their control by punishing behavior that is not consistent with the rules and norms of the order and rewarding state behavior that is consistent.

John Mearsheimer addresses the goal of states to become great powers and eventually hegemons. He writes, “great powers strive to gain power over their rivals and hopefully become

¹⁴ Mearsheimer, *Tragedy of Great Power Politics*, 56

¹⁵ Waltz, *Theory of International Politics*, 98

¹⁶ Waltz, *Theory of International Politics*, 97

hegemons.”¹⁷ A hegemon, according to Mearsheimer, is a state that is so powerful that it dominates all the other states and controls the international order.¹⁸ States seek to dominate the system because this ensures state survival. While states do seek the achievement of other ends, survival and security are always at the forefront. This makes cooperation challenging; nonetheless, it does occur.

Once a state achieves great power status, it becomes a status quo power and is vested in ensuring that status does not change. Therefore, cooperation can and does occur as long as it does not upset the balance of power. Mearsheimer writes that great power rivalry will sometimes produce a stable international order, as was the case during the Cold War.¹⁹ However, as the number of great powers increases, the less stable the order will become. Thus, a system dominated by a single hegemonic power is more stable than one where multiple great powers exist.

What Is a Liberal Order?

Since this study argues that China is in the process of creating an alternate liberal order, it is important to highlight the elements that characterize a liberal order. The notion of a liberal orders largely stems from the ideas of Immanuel Kant who believed that popular and responsible governments are more inclined to promote peace as opposed to engaging in war.²⁰ Liberal international order is generally conceptualized in terms of three fundamental elements:

¹⁷ Mearsheimer, *Tragedy of Great Power Politics*, 40

¹⁸ Mearsheimer, *Tragedy of Great Power Politics*, 40

¹⁹ Mearsheimer, *Tragedy of Great Power Politics*, 50

²⁰ Patapan, Haig. 2012. "Democratic International Relations: Montesquieu and The Theoretical Foundations of Democratic Peace Theory". *Australian Journal of International Affairs* 66 (3):316.

multinational institutions, economic interdependence (fostered by free trade and open markets), and the presence of democracies.²¹

In liberal international orders, multinational institutions provide the means for states to resolve grievances. International relations scholars note that states recognize the potential benefits of cooperation; however, states are afraid of being taken advantage of by other states. Institutions are useful for alleviating this fear since they serve as the mechanism to vocalize and flesh out international grievances. Thus, institutions serve to reduce conflict and engender peace by reducing fear in an anarchical environment.²²

Economic interdependence is the second key element of liberal international order. Economic interdependence is a byproduct of transnational trade and free-market capitalism. As states become more connected, the potential for conflict is reduced because war has the potential to disturb each nation's economy. Therefore, the presence of international trade has a stabilizing effect on international order by reducing the benefit of war through entanglement.²³

The final element of international liberal order is the presence of democratic states, which can foster a separate democratic peace. The term democracy can take on several connotations, however, liberal democracies are characterized by a strong belief in the primacy of individual rights. In a liberal international order, this can translate to the belief that individual human rights are to be protected at all cost, even if it involves violating another state's sovereignty. Alternatively, the liberal emphasis on individual rights in the domestic realm can be interpreted as state rights in the international realm, bolstering the norm of non-interference.

²¹ Patapan, Haig. *Democratic International Relations*, 316

²² Patapan, Haig. *Democratic International Relations*, 316

²³ Patapan, Haig. *Democratic International Relations*, 316

What Causes Orders to Change?

An international order is said to be in a state of equilibrium if the more powerful states in the system are satisfied with the existing territorial, political and economic arrangements.²⁴

Robert Gilpin asserts that although minor changes and adjustments may take place, an equilibrium condition is one in which no powerful state believes that a change in the system would yield additional benefits commensurate with the anticipated costs of bringing about a change in the system.²⁵ In every international order, there are continual occurrences of political, economic, and technological changes that promise gains or threaten losses for one or more actors. However, in most cases, these gains and losses are minor and only require incremental adjustments by the status quo powers. As long as only incremental changes continue to occur and the interests of the status quo powers remain constant over time, the system will continue indefinitely in a state of equilibrium.²⁶

The most destabilizing factor for an international order is the tendency for the power of states to change at different rates because of political, economic, and technological developments. In time, differential growth rates cause a redistribution of power in the system. Since power is the underlying component in an international order, a change in the distribution of power engenders a systemic change.²⁷

Systemic change involves a change in the governance of an international system. Systemic change results from the international distribution of power that causes a change in the

²⁴ Gilpin, Robert. 1981. *War and Change in World Politics*. 1st ed. Cambridge: Cambridge University Press.11

²⁵ Gilpin, *War and Change in World Politics*, 11

²⁶ Gilpin, *War and Change in World Politics*, 11

²⁷ Gilpin, *War and Change in World Politics*, 13

ordering hierarchy and potentially a change in the rules and rights embodied in that system. Once a state achieves a disproportionate amount of growth in power relative to others in the system, in particular relative to the status quo powers, the order is ripe for systemic change.²⁸

Gilpin alludes to another factor that is integral to systemic change – that of desire. Without a desire to change the international order, the accumulation of power will most likely not lead to such change. Gilpin is correct in that states make cost/benefit calculations in the determination of foreign policy and that a goal of foreign policy is to change the international system in ways that will enhance the state's interest.²⁹ However, what pushes newly-powerful states to take that risk is desire. For example, revisionist nations are more likely to have a stronger impetus to change the international order vice states with non-revisionist histories. For example, Nazi Germany's initiation of World War II fit this description as the Hitler regime felt as if Germany did not receive a fair settlement following World War I based on the conditions and requirements levied on the country in the Treaty of Versailles.³⁰

The emergence of a new power coupled with a desire for change in the rising state typically leads to disequilibrium in the international order. Although the current power still maintains significant strength and governs the system, the base on which its governance rests has eroded. This creates opportunities for the rising power and causes a crisis for the status quo power. During this occurrence, the rising power seeks to adjust international rules, norms, and relationships in its favor, while the dominant power attempts to counter through the adjustment

²⁸ Gilpin, *War and Change in World Politics*, 42

²⁹ Gilpin, *War and Change in World Politics*, 74

³⁰ Germany largely had to bear the economic burden of World War I as the blame for the war was placed on them. This contributed to a growing feeling of resentment and discontent.

in its policies and relationships. The status quo power will often go to great lengths to maintain its hold over the international order. And according to Gilpin, if the dominant power is unable to restore equilibrium, disequilibrium will ultimately be resolved by war as the status quo power resorts to force to maintain its position in the order.³¹

War is the ultimate change agent for international orders. Every international order the world has known consisted of territorial, economic, and diplomatic realignments following hegemonic struggle.³² The most important outcome of a hegemonic war is that it changes the system in accordance with the new international distribution of power by bringing about a restructuring of the basic components of the system. Gilpin writes that “victory and defeat in war reestablish an unambiguous hierarchy of prestige congruent with the new distribution of power in the system.”³³ In essence, war determines who will govern the international system and whose interest will be primarily served by the new international order.³⁴ With the arrival of new interests, a new set of rules for the system emerges. While wars can be devastating, once the war is over, stability returns as the new hegemon takes its place at the top of the order. In short, “hegemonic wars have unfortunately been functional and integral parts of the evolution and dynamics of international orders.”³⁵

Are We on The Verge of Change?

Given the history of changes to the international order, China’s rise provides an interesting, and potentially troubling, case. China’s modernization efforts in the late 1970s have

³¹ Gilpin, *War and Change in World Politics*, 187

³² Gilpin, *War and Change in World Politics*, 198

³³ Gilpin, *War and Change in World Politics*, 198

³⁴ Gilpin, *War and Change in World Politics*, 198

³⁵ Gilpin, *War and Change in World Politics*, 198

afforded it a significant amount of economic growth. Up until 2010, China was experiencing an annual growth rate of 10 percent. This growth allowed China to invest heavily in its military capability and infrastructure. Also, China's currency held steady during the 2008 global economic crisis in which the US economy suffered. Thus, it is fair to say that China's economic growth has provided it with newfound power that is recognized globally.

Conversely, the United States, many argue, is in decline. Its economic debt is substantial, and unilateral actions under the Bush Administration in 2002 significantly undercut its global prestige. Also, long wars have caused the US domestic audience to shun international intervention and retract from global leadership. These factors among others have caused US power and influence to decline relative to China.

This context coupled with a likely Chinese desire to re-assert itself globally seems to point to the type of disequilibrium outlined above. Whether this disequilibrium will result in a change in the international order due to hegemonic war is still unclear. However, what is clear is that the conditions for systemic change are ripe in accordance with history. As the US seeks to maintain its place as the status quo power, and China seeks to take advantage of the opportunities provided by its increase in power, the potential for conflict looms. Thus, understanding the path of China's continued rise is critical.³⁶

³⁶ This statement rest on the assumption that China is a revisionist power.

Chapter 2

Prevailing Outlooks on the Rise of China

We must rely on theory because many aspects of the future are unknown; we have few facts about the future.

- **John Mearsheimer**

This chapter looks at the two prevailing outlooks on the rise of China in more depth. The first section discusses what I label Path 1: Rise Within the Existing Liberal Order, and surmises the arguments primarily of John Ikenberry who asserts that China is not a revisionist state and that even if it were, the existing liberal order is too strong and entrenched to be overturned. The second covers what I label Path 2: Create an Illiberal Order, and details the arguments of Walter Russell Mead and John Mearsheimer supporting the claim that China seeks to overthrow the existing liberal order and replace it with something fundamentally different. The chapter then considers the likelihood of each of these two paths and suggests the need to consider a third possibility.

Path I: Rise Within the Existing Liberal Order

One of the prevailing theories regarding China's rise is that China will do so within the context of the existing liberal framework. John Ikenberry, a strong proponent of this theory, cites several reasons why this is the course China will take to rise to power.

First, Ikenberry contends that the liberal international order created by the US beginning in the late 1940s is so entrenched around the world that it is virtually impossible to usurp.³⁷ The liberal principles that America circulated in forming the order, per Ikenberry, enjoy near-universal appeal. To support this claim, Ikenberry points to the rise of democracies around the globe, which, in his opinion, has created stakeholders in the existing international system. The creation of stakeholders has, in turn, solidified the push for "multilateral cooperation" and the desire to achieve greater influence via peaceful means.³⁸

The near-universal appeal that Ikenberry believes the United States enjoys derives from the complementary nature of the values espoused by the United States with the modernizing forces of economic growth and social advancement.³⁹ The appeal of these values has assisted the United States in drawing countries into its orbit. Thus, consistent with the rise of democracies, the order has strengthened global norms and rules that are opposed to nineteenth century-style spheres of influence, bids for regional domination, and territorial grabs. Consequently, Ikenberry contends the United States has been successful in creating a system that is easy to join, but hard to overturn.⁴⁰

³⁷ Ikenberry, John, author. "The Illusion of Geopolitics: The Enduring Power of the Liberal Order." *Foreign Affairs*, May 2014. pg 4

³⁸ Ikenberry, *The Illusion of Geopolitics*, pg 5

³⁹ Ikenberry, *The Illusion of Geopolitics*, pg 4

⁴⁰ Ikenberry, *The Illusion of Geopolitics*, pg 7

Next, Ikenberry asserts that China is not a true revisionist state. To support his claim, Ikenberry highlights China's involvement in various international institutions. For example, China is a member of the UN Security Council (with veto rights) and is also an active participant in the World Trade Organization, the International Monetary Fund, the World Bank, and the G-20. Also, China is seeking to increase its standing in many of these institutions. For example, in the World Bank and IMF, China has expressed an interest in gaining more rights, which does not appear the behavior of a state seeking to overthrow the order. China's primary struggle with the existing order revolves around gaining a greater voice and shaping the order to advance Chinese interests.⁴¹ China wishes to enhance its position within the system and is not trying to replace the system. As a geopolitical insider, China is truly benefitting from the existing order of global governance and would be foolish to attempt to overthrow it.⁴²

Third, Ikenberry suggests that, although China does desire greater standing in the existing global order, the desire for increased status falls shy of wanting to lead the order. Many scholars have contended over the years that China is a free-rider within the international order. Ikenberry contends that China will continue this pattern. Vice rising to the status of a global hegemon, China's focus remains inwards. Per Ikenberry, the Chinese Communist Party (CCP)'s primary goal is securing and maintaining power within the country. Therefore, domestic politics limits any chances of China replacing the US as a global leader. China will continue to rise, but internal politics and domestic pressures will continue to be the focus of government elites. Therefore,

⁴¹ Ikenberry, *The Illusion of Geopolitics*, pg 8

⁴² Ikenberry, *The Illusion of Geopolitics*, pg 7

despite its rapid ascent, China has no ambitious global agenda and will remain fixated inwardly to preserve party rule.

The final factor that is commonly expressed in supporting this path is American unipolarity.⁴³ After the fall of the Soviet Union, the United States was left standing as the world's dominant global power. For almost thirty years the United States has enjoyed the label of the world's lone superpower. Zhu Feng cites American unipolarity as the primary reason why China has failed to balance against US dominance. For many of the reasons Ikenberry cites, Feng also contends that China will not only rise peacefully but will also do so within the context of the American-constructed liberal order. Feng goes on to assert that the great power asymmetry will persist and continue to limit China's potential balancing options and partners. Instead of finding willing players to balance against American dominance, China's potential coalition partners have preferred to bandwagon, or "free ride," with the hegemonic United States. This is because US foreign policy has the effect of shaping the perceptions and behaviors of other major powers, and discourages them from posing a challenge to the global status quo.⁴⁴ Feng contends that in the future, China will continue to experience more difficulties in balancing against the US using economic and political maneuvering. Since overt military posturing is off the table due to China's military inferiority, China is left with the lone option of playing by the rules the US has prescribed and seeking greater influence in the construct of the existing liberal order.

Path I can be summarized as follows: China is content to rise within the US-led liberal order due to the strength of the international institutions and benefits of the multilateral framework

⁴³ Feng, *China's Ascent: Power, Security, and the Future of International Politics*, 34

⁴⁴ Feng, *China's Ascent: Power, Security, and the Future of International Politics*, pg 38

which makes the liberal order easy to join but hard to overturn. China is not a true revisionist state and therefore does not desire to overthrow the existing order, lead the order, or create an order of its own. China has benefited from the multilateral nature of the existing order and seeks only to increase its standing within the order. China will remain focused inward on ensuring domestic stability. Also, the long-standing preeminence of American unipolarity will continue to limit China's balancing options.

Path II: Creation of An Illiberal Order

Path II is rooted in the assumption China is a revisionist state that seeks to overthrow the existing order and replace it with an illiberal order with China as the gatekeeper. Unlike Path I, proponents of this theory assert that China's appetite for power is steadily increasing as it achieves more global influence.⁴⁵ In addition, since China has not been able to achieve the status it prefers in the existing system, China no longer sees the utility of operating within the framework. Walter Russell Mead alleges that China never bought into the geopolitical settlement that followed the Cold War and is making increasingly forceful attempts to overturn it.⁴⁶ He goes on to assert, "That process will not be peaceful," but "regardless of their (China's) success, their efforts have already shaken the balance of power and changed the dynamics of international politics."⁴⁷

Other scholars articulate the characteristics of what has been termed the "Beijing Model," a Chinese model of "illiberal" global governance organized around exclusive blocs, spheres of influence, and mercantilist networks.⁴⁸ Compared to the US-led order, Chinese global governance

⁴⁵Feng. *China's Ascent: Power, Security, and the Future of International Politics*, pg 52

⁴⁶ Meade, Walter, author. "The Return of Geopolitics: The Revenge of the Revisionist Powers." *Foreign Affairs*, vol. 93, no. 3, May 2014, pp. 69–79.pg 69

⁴⁷ Meade, *The Return of Geopolitics*, 69

⁴⁸ Ikenberry, John, author. "The Future of the Liberal World Order: Internationalism After America." *Foreign Affairs*, vol. 90, no. 3, May 2011, pg. 56

would be “less open and rule-based,” and would be dominated by an array of “state-to-state ties.”⁴⁹ In essence, a Chinese-led order would be a stark contrast from the cooperative framework the US has propagated over the years.

Consistent with his offensive realist perspective, John Mearsheimer suggests that China will use aggressive power politics, even armed conflict, to propel itself to great power status.⁵⁰ However, for Mearsheimer, China’s emphasis will be centered on dominating East Asia as regional hegemon, vice seeking global hegemony. This assertion stems from the belief that China is focused on regime survival and deems regional hegemony as the best means to secure this end. Subsequently, China seeks to grow its economy and become a regional powerhouse so that it can dictate the boundaries of acceptable behavior to neighboring countries, and make it clear that countries will pay a substantial price if they do not adhere to China’s agenda.⁵¹

Also, a key component of the Chinese illiberal order path is a move away from multilateralism. Proponents of this view argue the Chinese government would prefer to operate via bilateral ties instead of binding itself to multilateral frameworks and institutions. As China continues to rise, it will become less active in global institutions or remove itself from existing multilateral frameworks altogether. Further, China will increase bilateral political behavior and patron-client relationships as it seeks to dictate the policies of neighboring states.

Scholars also contend that regional perceptions of China’s actions will be key in propagating a China-led illiberal order. As an example, Mearsheimer states that nations will see

⁴⁹ Ikenberry, *The Future of the Liberal World Order*, pg. 56

⁵⁰ Mearsheimer, John J. *The Tragedy of Great Power Politics*. New York, NY, United States, WW Norton & Co, 6 May 2014. pg 371

⁵¹ Mearsheimer, *The Tragedy of Great Power Politics*, pg 371

China's actions and rise to power as dangerous. This concern will increase the closer states are to China's backyard. Therefore, China's neighboring countries, who are already concerned over China's ascent, will seek to prevent China from achieving regional hegemony. Because of this, regional and global nations will hedge their security bets and bandwagon with the US to contain China. This will, in turn, drive China to take on more of an illiberal tone.⁵² Therefore, the perception that China is "illiberal" would ultimately serve as a self-fulfilling prophecy.

Path II, Creation of An Illiberal Order, can be summarized as follows: China is a revisionist state that desires to overthrow the existing liberal order. Failed attempts at increasing China's rights and status within the existing liberal construct have fueled Chinese desire to disrupt the existing order. The Chinese's government's focus is on ensuring survival by becoming a regional hegemon. Achieving regional hegemony status allows China to forgo multilateral bargaining and provides China the prestige required to dominate state-to-state agreements. Subsequently, China will either become less active in or withdraw from existing multilateral institutions. Also, the fear aroused by China's ascendancy will move regional and global nations closer to the United States' sphere of interest.

Summary

The above paths represent the prevailing thought on the path China will likely take in its rise to great power status. Path 1 can be summarized as the status quo path since the underlying premise maintains that China is an absolute stakeholder in the current American-led order, and subsequently, desires to continue its ascent within the confines of the existing order (as a willingly player). Path 2, at the opposite end of the spectrum, largely contends that China is still

⁵² Mearsheimer, *The Tragedy of Great Power Politics*, pg 392

beholding to its historical tendencies and will attempt to secure its rise through the creation of an illiberal order. Under Path 2, China will move away from “liberal” acts, increase bi-lateral relations, and withdraw from multilateral frameworks.

As referenced earlier in this study, neither of the path frameworks adequately explain or account for China’s recent shift in political activity. Both frameworks appear to be mired down in historical analysis which, in turn, has led to confirmation bias in assessing China’s latest political activity. Therefore, to provide an up to date framework, Chapter 3 provides an alternative perspective which can be utilized to explain and assess China’s political actions in the context of their ongoing ascent.

Chapter 3

China’s Alternate Liberal Order

Countries have the right to development, but they should view their own interests in the broader context. And refrain from pursuing their own interests at the expense of others.

If anyone was to say China was playing a leadership role, it is not China rushing to front but rather the front runners have stepped back leaving the place to China.

- Zhang Jun
Director General of Chinese Foreign Ministry’s Economic Department

Perceptions are hard to change. They are especially hard to modify when bolstered by “confirming evidence” over an extended period. Robert Jervis details how perceptions, once

taken hold of, can persist even when information surfaces that discount the perceived belief.⁵³ Predispositions can be especially dangerous when discussing matters of national security. The US could easily find itself in a precarious situation because of its inflexible perceptions of China. The paths discussed in Chapter 2 are projections resulting from long-held Western beliefs about China and its rise to power. US scholars and policymakers have continued to focus on these two perspectives despite new evidence suggesting the need to consider alternative outlooks.

For years, China has largely been regarded as an illiberal and non-conformist nation.⁵⁴ In all fairness, these perceptions were reasonably founded. Historically, the Chinese government has been associated with domestic human rights issues, robust censorship, environmental pollution, and continuous territorial conflicts. Before the 1980s, China was largely a non-participant in the West-dominated international order due to ideological conflicts with Western powers. Also, China's communist doctrine and the CCP's long-term political dominance over the country fueled perceptions of Chinese illegitimacy.

Accordingly, any suggestions of China as a legitimate global leader historically have been met with extreme push back. Fueling this sentiment is the Chinese government's consistent shirking at the notion of being a global leader. For the past three decades, Chinese officials have appeared to adhere closely to Deng Xiaoping's cautious international strategy to "conceal

⁵³Jervis, Robert, and Bates Lowry. *Perception and Misperception in International Politics*. 13th ed., United States, Princeton University Press, 1 Nov. 1976. pg 310

⁵⁴ Wang, Hongying, and James Rosenau, author. "China and Global Governance." *ASIAN PERSPECTIVE*, vol. 33, no. 3, 2009, pg. 9

brilliance and cultivate internal strength.”⁵⁵ China has continually dismissed global leadership, asserting that its rise would be peaceful and its emphasis inward.⁵⁶

However, China has undergone various evolutions over the past few decades. From the 1960s to the late 1970s, China’s world view was guided by Mao Zedong's theory of the three worlds.⁵⁷ The First World contained the two superpowers (the United States and the Soviet Union) while the Second World contained that of other developed nations. The Third World, of which China was most interested, consisted of developing countries. Chinese leadership largely regarded China as part of the Third World and its default leader. Consequently, China chose to stay out of the US-dominated international system. In China’s view, the West consistently cast the PRC as illegitimate, and thus the Chinese government viewed the Western-dominated international system as illegitimate.⁵⁸ Under the Maoist regime, China saw itself as a victim of imperialism and became a staunch supporter of global revolutions with a goal of expanding Communism.⁵⁹ Thus, the Chinese government continually attempted to challenge the existing liberal order by outright defiance and through support to insurrections in other nations. During this period, China’s classification as a “rogue-illiberal” nation was warranted.

With the onset of reforms in the late 1970s, China began to shift its view of the world and associated interactions from that of an “outsider” to a “quay-involved” nation. In 1980, China began to see the existing international system as a source of opportunities which it should take advantage of and participate in. Subsequently, China ceased its revolutionary efforts and

⁵⁵ Chin, Gregory, and Ramesh Thakur. “Will China Change the Rules of Global Order?” *The Washington Quarterly*, vol. 33, no. 4, Oct. 2010, pg 121

⁵⁶ China and Global Governance, pg 23

⁵⁷ Wang and Rosenau, China and Global Governance, pg 9

⁵⁸ Wang and Rosenau, China and Global Governance, pg 9

⁵⁹ Wang and Rosenau, China and Global Governance, pg 9

engaged in limited interaction in the international system, seeking to shed its revolutionary label. Although China's international activity increased, primarily in the economic realm, its role in international organizations still fell short of that expected for a country of its development level.⁶⁰

The 1990s saw China refine its world view and further embrace the international order. China's embrace of the international order was illustrated by its ratification of the UN human rights covenants and the Kyoto Protocol on climate change. The high point came in 2001 when China was accepted into the World Trade Organization (WTO). The Chinese government made several costly commitments to gain membership in the WTO in an effort to secure a seat at the international table.⁶¹ Once at the table, China was able to use its new position to learn the ropes of international governance and leverage the norms and institutions for its own benefit.

From the mid-1990s until now, China's involvement in the international order has skyrocketed. For example, in 1977, China was a member of only twenty-one international organizations.⁶² However, by 2003, China was a member of 298 international organizations and a member of 2,659 transnational bodies.⁶³ It appears China learned the utility of using global institutions and multilateral networks to achieve influence and foster cooperation.

Although increasing its participation in the international order, China until the last decade had been largely silent on major international issues. Hongying Wang and James N. Rosenau suggest a number of reasons why. First, when China returned to the international system, it was

⁶⁰ Wang and Rosenau, *China and Global Governance*, pg 9

⁶¹ Chin and Ramesh, *Will China Change the Rules of Global Order?* pg 126

⁶² Wang, Hongying, and James Rosenau, author. "China and Global Governance." *ASIAN PERSPECTIVE*, vol. 33, no. 3, 2009, Pg 22

⁶³ Wang and Rosenau, *China and Global Governance*, pg 22

a relatively poor and weak nation. Vice attempting to reshape the international order, it sought to benefit from the order's resources. In addition, as a relative newcomer to the global arena, the Chinese government lacked the intimate knowledge of the existing rules and mechanisms of various international regimes, let alone the capacity to reshape them. Finally, given the widespread fear in the region and in the West of a rising China, Chinese leaders were reluctant to take an active position on many international issues for fear of being perceived as a threat.⁶⁴

As in the late 1970s, China now appears to be undergoing another evolution in its worldview. China's mounting economic strength coupled with the decline of US international leadership has propelled China toward taking a more assertive role in the international arena. China now views itself as a growing force to be acknowledged globally. Thus, China seemingly wants a more pivotal role in global governance. Robert Art asserts that China, as do most states when they achieve power, seeks to increase its political aims and influence.⁶⁵ China is increasingly less willing to accept the status quo. And China is no longer willing to remain silent on issues of global significance.

In addition to an evolving view of its place in the world, China has become dissatisfied with the workings of the international order. Obtaining a seat at the international table did more than help China learn the ropes. It allowed Chinese officials to see what some scholars have termed "unequal and undemocratic" practices of the American-led liberal order.⁶⁶ China, like many other rising nations, has not received what it perceives as its fair due on the international stage. For example, during the 2008 financial crisis, China's economy continued to perform

⁶⁴ Wang, and Rosenau, *China and Global Governance*, pg 22

⁶⁵ Art, *Chinese Ascent*, 34

⁶⁶ Wang, and Rosenau, *China and Global Governance*, pg 23

well, serving as a stabilizing economic force in the world when the United States appeared to be on the verge of collapse. However, when the International Monetary Fund (IMF) submitted a proposal for China to become the third most important country in the fund (behind the US and Japan) due to its economic strength, the US Congress vetoed the change.⁶⁷ Wanting to keep control of the historic Bretton Woods economic construct, the United States effectively blocked what many observers deemed a reform consistent with democratic values and norms. Although Congress has since approved a proposal as recent as October of 2016 to accommodate China's new economic standing, the political damage was done. Asit Mishra writes, "The iron grip of the US and the EU over the IMF and the World Bank, and their unwillingness to make these institutions more representative by giving more say to developing countries, in sync with their growing economic clout, has been the source of frustrations for developing nations for years."⁶⁸ She goes on to state, "This has led to the creation of new financial institutions such as the New Development Bank by the BRICS (Brazil, Russia, India, China and South Africa) countries and the Asian Infrastructure Investment Bank spearheaded by China."⁶⁹

Mishra gets at the essence of why China may be seeking to construct an alternative international order. Grievances like the one mentioned above have led China to re-assess its stakeholder status within the existing liberal order. Although the United States is on the decline, China understands that the United States will likely refrain from relinquishing its dominant role

⁶⁷ Perlez, Jane. "China Creates a World Bank of Its Own, and the U.S. Balks." *International Business*, 20 Apr. 2016, https://www.nytimes.com/2015/12/05/business/international/china-creates-an-asian-bank-as-the-us-stands-alooft.html?_r=0. Accessed 8 Feb. 2017.

⁶⁸ Perlez, *China Creates a World Bank of Its Own, and the U.S. Balks*, pg 1

⁶⁹ Mishra, Asit Ranjan. "India Gets More Voting Rights as IMF Implements Quota Reforms." *Politics*, <http://www.livemint.com/>, 28 Jan. 2016, <http://www.livemint.com/Politics/qn4sXIEWR4wAVuXAS3naTI/India-gets-more-voting-rights-after-IMF-implements-quota-ref.html>. Accessed 8 Feb. 2017.

in existing institutions. Therefore, China is seeing less value in adhering to the status quo. As Meade, Chin and Thakur indicate, the Chinese were willing to play along as long as they were treated fairly and could flourish within the construct.⁷⁰ Now that China no longer believes its rise to power will be unobstructed, it has impetus to seek other options outside of the existing US-led international order.

China's close-up view of the innerworkings of the liberal international order for more than three decades reinforced the benefits of utilizing multilateral frameworks and international institutions to further political agendas and achieve political objectives. Given that China has grown to appreciate the value of liberal international practices, the likelihood of China creating an international order that completely does away with these practices is low. Also, China has witnessed US influence diminish because of its willingness to operate outside of multilateral agreements and does not want to make the same mistake.⁷¹

Path 3: China's Alternate Liberal Order

This study asserts that China is seeking to build an alternate liberal order to accommodate its continued rise to a position of global leadership. Such an order would likely be characterized by five key aspects: international institutions, multilateralism, open economic cooperation, rules-based governance, and the norm of state sovereignty.

Institutions

⁷⁰Mishra, *India Gets More Voting Rights as IMF Implements Quota Reforms*, pg 1

⁷¹ This does not mean China will not operate outside of multilateral frameworks. However, in matters of great importance to the international community, China will sway towards a multilateral solution vice a unilateral solution to achieve international support.

A Chinese-led order under Path 3 will involve heavy use of international institutions. The major distinction between Path 2 and Path 3 is that in Path 3 new institutions are created under Chinese leadership and that reflect Chinese values and priorities. Instead of adherence to Western values of democracy, pure capitalism, and human rights, the new institutions will be more conducive to state rights, state-controlled economies, and state sovereignty. In creating these institutions, China will seek to gain legitimacy and influence through the successful recruitment of both regional and global players. Conversely, China will seek to gradually remove itself from existing US-led institutions and only remain active in those institutions where it enjoys parity with the United States.

Multilateralism

Under Path 3 a Chinese order embraces the tenets of multilateralism. Having witnessed the use of multilateralism for over three decades under the Western construct, China understands the value of coordination and consent in running an order. While in Path 1 China also utilizes multilateralism in the US framework, the key distinction in Path 3 is that China incorporates the tenets of cooperation and coordination via the creation of new institutions and frameworks vice leveraging them in existing American-led frameworks and institutions. In addition, in this Path, China gradually reduces its use of state-to-state ties for coordination.

Economic Cooperation

In Path 3 a Chinese liberal order will primarily focus coordination on economic initiatives. Since history has proven that economic cooperation is a gateway towards cooperation and influence in other areas of global importance, Chinese coalition-building will initially be weighted in the economic realm. China will seek to more permanently connect itself

with regional and global players as a mean to garner greater influence. The primary means that China will use to achieve influence is the provision of monetary aid and development to countries in need. However, a key distinction in the Chinese model is that aid will not be accompanied by political conditions or qualifiers. Under Path 3, Chinese-led global economic cooperation will be characterized by “state free will” and incentives.

Rules-Based Governance and the Norm of State Sovereignty

Also in Path 3, China’s liberal order is rule-based. Unlike with Path 2, in Path 3 China understands that developing and adhering to rules are necessary in achieving stability in an international order.⁷² Thus, China will ensure that rules are a central element in its governance structure. Since China sees itself as the leader of the developing world, rules will be vital for conveying a willingness to restrain its power so that less powerful countries agree to follow China’s lead.

Nonetheless, a key distinction in Path 3 are the values that will underpin China’s rules. As an advocate of state rights, non-intervention, and tolerance, China will ensure its alternate framework promotes these values over Western values such as democracy and human rights. Thus, in the existing order where human rights violations provide justification for international intervention, China will seek to generate new norms, from its rules, in which sovereignty and non-intervention receive primacy. Such norms will help secure China’s place as a legitimate global leader while protecting itself from international ridicule over domestic issues.

Path 3 Summary

⁷² Non-liberal orders also contain rules. However, rules in those orders are not used to constrain the power of the nation setting the rules. This is a key distinction. China appears to be placing limits on its power as a means to communicate to “lesser” nations that it will not behave in an illiberal manner.

Path 3 can be summarized as follows: China seeks to create an alternate liberal order to accommodate its ascendancy to Great Power status. Because of the continued resistance China has encountered by Western gatekeepers in the existing framework, China no longer sees itself as a stakeholder in the existing liberal order. Thus, China will create a parallel liberal structure to accommodate its rise. The Chinese order will rely heavily on the use of institutions; however, China will embark on the creation of new institutions to support its political objectives. China's order will be characterized by multilateralism, with an emphasis on gaining influence through economic cooperation. China's economic cooperation will be free of political attachments. Further, China's alternate order will be rules-based but underpinned by values such as state rights and sovereignty.

A Note on Enabling Conditions

As with the United States' construction of the liberal order following WWII, there are several conditions that must be present for China's realization of Path 3. The first condition is the continued presence of a leadership void associated with the United States' decline. As Ikenberry, asserts, the real crisis in the liberal order is not related to the liberal norms and rules, but instead is a crisis of authority and leadership within the order.⁷³ The United States' deliberate choice to operate outside of the international consensus has led many nations to second guess the United States' right to serve as the international gatekeeper. The US decision

⁷³Ikenberry, John G. *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton Studies in International History and Politics). United States, Princeton University Press, 26 Aug. 2012.

to invade Iraq in 2003 without UN approval was a significant event that contributed to the decline in authority required for the United States' to fully fill the global leadership role. In addition, the 2007 - 2008 global economic crisis also negatively affected nation's view of the United States as the global gatekeeper arguably leading to the emergence of a global leadership void. While not fully emerged, the loosening of the United States' grip on global leadership has in turn created space for China to flex more of its international muscle and introduce an alternate framework for global governance.

The second requirement is the United States' continued unwillingness to relinquish control of existing liberal institutions and frameworks. Like most powers on the road to decline, recognizing the reduction in relative power and influence will come late in the declination period. Thus, for China to have space to introduce an alternate order, the US must continue to attempt to maintain tight control over existing functions even though the legitimacy required to operate these institutions successfully has diminished.

The final condition is the continued presence of grievances by various global players. Grievances are at the root of any revolution. Like the IMF example provided earlier, grievances over the construct of the order, rules of the order, and US leadership over the order are required for Path 3 to remain plausible. Grievances will likely continue if the United States refuses to renegotiate its position in the existing institutions and multilateral frameworks. However, should these grievances cease to be present, Path 3 becomes a less viable option.

Summary

This chapter outlined the background, characteristics, and enabling conditions associated with Path 3, China's Creation of Alternate Liberal Order. In doing so, this section provided an

alternate framework for analyzing China’s actions. This chapter also addressed why the underlying premises for Paths 1 and 2 are becoming increasingly less valid, indicating a need to explore new analytical frameworks. In preparation for the subsequent case study analysis, the table below provides a comparative look at the paths and their associated characteristics.

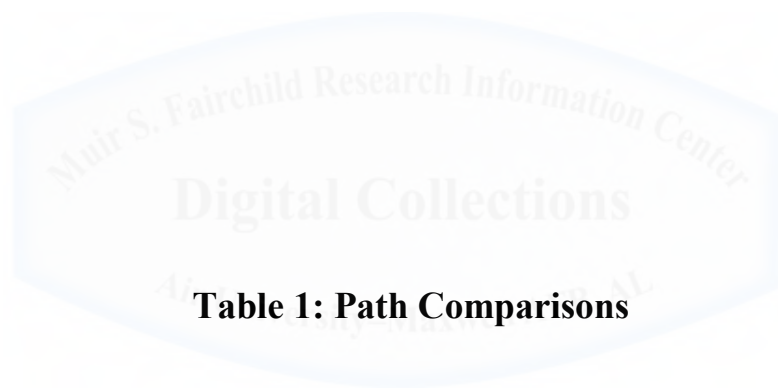


Table 1: Path Comparisons

	Path 1 Rise in Liberal Order (Status Quo)	Path 2 Create Illiberal Order	Path 3 Create Alternate Liberal Order
Institutions	<ul style="list-style-type: none"> - Continued utilization of western dominated institutions - Seeks greater importance within framework 	<ul style="list-style-type: none"> - Gradual exclusion from global institutions - Sporadic participation at best 	<ul style="list-style-type: none"> - Creation of separate global institutions - Successfully recruits global and regional participants - Continued use of old institutions in which China enjoys parity
Multilateral Cooperation	<ul style="list-style-type: none"> - Limited to existing constructs - Heavily utilized to increase status 	<ul style="list-style-type: none"> - Increase in state to state engagements - Limited use of multilateral frameworks 	<ul style="list-style-type: none"> - Critical to alternate order - Incorporated into new - Used to garner support for new order
Economic Cooperation	<ul style="list-style-type: none"> - Occurs within existing economic framework - Strong involvement in Bretton Woods structure - Seeks to replace US as facilitator 	<ul style="list-style-type: none"> - Move towards tributary like economic agreements with regional players 	<ul style="list-style-type: none"> - Focused on developing nations (to create allies) - Free of political conditions - "Free will" & incentive based - Primary focus of multilateral cooperation - Expanded to include global players & markets
Rules	<ul style="list-style-type: none"> - Adheres to status quo rules (western values): democracy, free-trade, human rights etc - Sporadic challenging of Western based rules 	<ul style="list-style-type: none"> - Aggressive challenging of existing rules & international norms - Increased defiance of international norms (i.e. economic exclusion zones) 	<ul style="list-style-type: none"> - Rule based system - Rules are based on China's international values: primacy of sovereignty & state rights, acceptance of regulated & state directed economy
State Sovereignty	<ul style="list-style-type: none"> - Gradual adoption of human rights primacy over state sovereignty 	<ul style="list-style-type: none"> - Strongly emphasized - Most important norm 	<ul style="list-style-type: none"> - State rights & sovereignty receive primacy - Will support other norms as long as they do not infringe on state sovereignty

Chapter 4

Case Study One – China’s One Bridge, One Road Policy

OBOR “should be jointly built through consultation to meet the interests of all, and efforts should be made to integrate the development strategies of the countries along the routes. It is not closed but open and inclusive; it is not a solo by China but a chorus of all countries along the routes.”

- President Xi Jinping

President Xi Jinping is credited with launching several new foreign policy initiatives since his arrival in office 2013.¹ Most of his initiatives are geared towards revitalizing the “Chinese Dream” which calls for China taking its place center stage as a prosperous global leader.² Diverging from China’s previous isolationist strategy, this agenda is centered on two goals.³ The first goal consists of turning China into a prosperous society by 2021 which in turn requires the doubling of the 2010 GDP and GDP per capita by that year.⁴ The second is transforming China into a strong, culturally advanced, harmonious and modern socialist country by 2049.⁵ Together, the achievement of these goals will vastly increase Chinese wealth, stability, and prestige, which are necessary stepping stones to global leadership.

¹ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And ‘One Belt, One Road’: Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 944

² Ferdinand, Peter. 2016. "Westward Ho—The China Dream And ‘One Belt, One Road’: Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 949.

³ "Research | Think Tank | European Parliament". 2017. <http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+>. Pg2

⁴ "Research | Think Tank | European Parliament". 2017. <http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+>. Pg2

⁵ "Research | Think Tank | European Parliament". 2017. <http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+>. Pg2

The underlying premise of this study is that China is seeking to realize its dream (global leadership) via the construction of an alternate order that is based on key liberal tenets. The One Bridge, One Road (OBOR) initiative is one of China's first steps toward the achievement of this dream. OBOR's incorporation of multilateralism, institutions, and economic diplomacy is consistent with Path 3. This chapter provides an overview of OBOR and its objectives. Also, this chapter covers the domestic concerns that serve as drivers to OBOR's implementation. The chapter highlights the global implications of OBOR and concludes by assessing the consistency of OBOR with Path 3.

OBOR Overview

In autumn of 2013, President Xi Jinping visited Kazakhstan and announced his plans for the undertaking of a series of transport projects with the goal of creating an economic corridor linking China with areas that include Mongolia through Central Asia and ultimately extending to Germany and the Netherlands.⁶ In establishing OBOR, President Xi seeks to promote cross-continental connectivity between China and Eurasia with hopes that the connectivity and cooperation will extend well beyond economics. And by integrating itself with countries in and outside of its region, China hopes that economic cooperation will bleed into other areas of cooperation ultimately helping China achieve greater influence.

In March of 2015, China's National Development and Reform Commission (NDRC), Ministry of Foreign Affairs, and Ministry of Commerce jointly published the *Visions and Actions*

⁶ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 949

plan outlining the framework that underpins OBOR.⁷ The document details OBOR as a “flexible, open and inclusive, cooperation framework that does not seek conformity but envisions diversified modes of cooperation that will enable all OBOR countries, both established and developing, to cooperate with greater parity.”⁸ In emphasizing “diversity” and “parity” in OBOR, China is seeking to promote a new paradigm of cooperation for the international arena.

The OBOR initiative largely consists of two separate but interconnected projects. Together the projects are estimated to cost over \$21 trillion dollars, are set to include over 60 countries, and will likely take between 35 and 50 years to complete. The first project under OBOR is the proposed Silk Road Economic Belt. The Silk Road Economic Belt is a series of land-based routes designed to connect China with Central Asia, Eastern and Western Europe, the Mediterranean Sea, the Persian Gulf, the Middle East, South Asia and South East Asia (*see figure 1*). Similar to the ancient version the silk road, the primary aim of this land route is to build a “Eurasian land bridge” that serves as an avenue through which trade can occur from China’s east coast directly to Western Europe. Also, the Silk Road will include six economic corridors that will run both north to south and east to west. (*see figure 2*) Through the development of these six economic corridors, China hopes to build annual trade worth \$2.5 trillion dollars within the next ten years, while providing significant revenue for partner

⁷ "Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu. <http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+.pg 3>

⁸ "Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu. <http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+.pg4>

countries.⁹ While the details as to how much partner nations will receive has yet to be confirmed, the goal of the Silk Road is to bring revenue and prosperity to all participants vice China alone.



⁹ "Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu.
<http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+China%27s+regional+integration+initiative+>. pg 4



The second project is the 21st-Century Maritime Silk Road. The Maritime Silk Road is a sea line of communication that is set to run from China's east coast to Europe via the South China Sea, the Indian Ocean, and extend into the South Pacific.¹⁰ The aim of the sea route is to efficiently connect major ports in various countries while aiding in the development of the previously mentioned economic corridors. By establishing new sea lines of communication, China is seeking to build in more stability and flexibility in trade.

In establishing OBOR, China has signaled an aggressive shift in its international policy. The Chinese government categorizes OBOR "as the third round of China's opening up" after the

¹⁰ "Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu.
<http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+>. pg 4

development of Special Economic Zones and China's accession to the WTO.¹¹ But OBOR is something fundamentally different. As referenced previously, OBOR is set to involve over 60 countries that have a combined population of over 4 billion people and whose markets currently account for about one-third of the global gross domestic product.¹² By integrating itself with a large number of countries and connecting China's population with various cultures, China hopes to achieve an unparalleled level of influence. Gisela Grieger writes, "OBOR is likely to expand, significantly, China's political and economic leverage...since most of the countries receiving Chinese funds for new infrastructure will ultimately be drawn deeper into China's trade and finance orbit and be expected to support its rise in all respects."¹³

Founders of the OBOR initiative have identified five focus areas of cooperation and connectivity. The first and most relevant to this study is OBOR's emphasis on *policy coordination*. China intends to achieve this coordination via the creation of new multilateral mechanisms. As an example, the formation of the Asian Investment Infrastructure Bank (AIIB), which will be discussed later in this study, is one of China's new institutions that has been created to support OBOR. For China, this is noteworthy for several reasons. First, it is a stark contrast to China's historical preference for bi-lateral and state-to-state agreements. Second, it represents a move toward Chinese leadership on the global stage. Further, the creation of new

¹¹ "Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu.
[http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C
hina%27s+regional+integration+initiative+](http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+). pg 9

¹² Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 950

¹³ Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu.
[http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C
hina%27s+regional+integration+initiative+](http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+). pg 6

institutions for policy coordination illustrates China's movement away from existing Western-dominated frameworks.¹⁴

OBOR's focus also includes *facilities connectivity*, which will be accomplished through OBOR's basic infrastructure development. Next is *trade facilitation*, which will involve numerous global reforms. Illustrative of this is China's plan to enable new trade routes that benefit China and participating nations by simplifying access through streamlined customs clearance and quarantine processes. Also, China hopes to improve market access through the elimination of existing trade barriers, simplifying the foreign investment process, and creating more free trade zones along its routes. Via these improvements, China hopes that the alleviation of barriers will engender more nations to join the OBOR coalition which will subsequently expand Chinese influence.¹⁵

OBOR includes *financial integration* as its fourth focus area.¹⁶ This is significant because China's push for financial integration indicates a change in China's posture with other nations. Historically China has been focused internally with an eye on issues closest to its region. While China has cooperated economically with other nations, most of this cooperation has been geared towards exclusively benefiting the Chinese economy. With OBOR, China is deliberately seeking to connect itself financially with other nations in a manner that is beneficial

¹⁴ Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu.
<http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+>. pg 4

¹⁵ Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu.
<http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+>. pg 4

¹⁶Research | Think Tank | European Parliament". 2017. Europarl.Europa.Eu.
<http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+C hina%27s+regional+integration+initiative+>. pg 4

to all parties. If successful, the payoff could be tremendous for China. China's financial integration with over 60 nations in a mutually beneficial manner will likely lend itself to increased global influence, prestige, and political leverage.

In discussing the focus areas of OBOR, it is important to highlight a key characteristic of the project's framework that is not immediately apparent. China is known to be a key advocate of state sovereignty and state rights. Thus, since China's primary focus is on creating shared transport links that foster cooperation, China is purposefully not dictating the production structure across OBOR membership.¹⁷ OBOR also makes no mention of plans to create production facilities in its partner countries.¹⁸ This deliberate measure is of great importance. Unlike previous European models of integration and development, China is displaying a greater sensitivity to national sovereignty. Wu Zemin highlights a broad distinction between Asian and European styles of integration. He writes, "Europe focuses upon more involved integration which translates into a higher level of economic development (and infringement), while Asia, with its greater diversity, puts a high priority on connectivity and joint 'docking' of nation states that are still concerned about their sovereignty." More broadly, China's deliberate respect for sovereignty gives other state's a glimpse of how China will lead globally.

Domestic Objectives

¹⁷Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 950.

¹⁸ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 950.

While OBOR is an international strategy, its success will largely be measured by the effects on China's domestic economic rebalancing.¹⁹ As referenced previously, the Chinese Dream calls for domestic prosperity in all areas of the country. In this matter, the growth and development of the western section of China has been a huge concern for Chinese elites. OBOR's implementation will assist the Chinese Communist Party in developing China's western areas that have not benefited from modernization. In 2013, per capita income in the western provinces of China, such as Gansu, Guizhou, Qinghai, and Xinjiang were only between a third and a half of that of eastern provinces such as Guangdong, Fujian and Zhejiang, and only a quarter of that in Shanghai and Beijing. In 2000, the CCP announced a plan for the opening up the western part of the country. However, in 2015, the CCP noted the region was going to need at least 30-50 years to catch it up with China's coastal areas. The implementation of OBOR is the CCP's attempt at speeding up that process.²⁰

Also, OBOR's implementation provides the Chinese government with alternative investment opportunities abroad for state-owned enterprises (SOEs). Most of China's SOEs have been engaged in extensive infrastructural projects in China for at least ten years. As China seeks to rebalance its economy from an investment based economy to one characterized by greater consumption, OBOR provides an alternative market base for SOEs to ensure they remain

¹⁹ Bondaz, Antoine, David Cohen, François Godement, Agatha Kratz, and Raffaello Pantucci. 2015. "One Belt, One Road China's Great Leap Outward". European Council On Foreign Relations. http://www.ecfr.eu/page/-/China_analysis_belt_road.pdf. Pg5

²⁰ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 951.

profitable. Without alternative markets, SOEs will suffer. This, in turn, could have harmful effects for CCP elites.²¹

Finally, as Chinese companies expand into foreign markets, their expansion will aid in internationalizing the Chinese economy. The massive export of Chinese financial firepower will ensure the renminbi (RMB) is circulated via cross-border RMB settlement and RMB-labeled loans.²² Since the IMF added the RMB to the small pool of Special Drawing Rights currencies (also includes the US dollar, the Euro, Yen, and the British Pound), the exporting of the RMB to other nations through OBOR will further assist in internationalizing the RMB.²³ Since the CCP's domestic legitimacy is inextricably linked to economic growth, the ability to find alternate markets and internationalize the RMB will address some of the CCP's concern's about rising opposition.²⁴

Global Implications

Before moving to the Path analysis, it is important to highlight a few global implications of a successful OBOR. Primarily an economic endeavor, OBOR has the potential to significantly alter the internaional political landscape. The most obvious implication is OBORs potential to posture China as a global power vice a regional power.²⁵ As this chapter has inferred, China's

²¹ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 951.

²²<http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+China%27s+regional+integration+initiative+>. pg 6

²³"IMF Adds Chinese Renminbi to Special Drawing Rights Basket". 2017. Imf.Org.
<http://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>.

²⁴<http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+China%27s+regional+integration+initiative+>. pg 9

²⁵ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 951.

economic interconnectedness with over 60 countries will go a long way to boosting its diplomacy and global standing. As nations sign on to participate in the project, the economic cooperation will likely bleed into other areas of cooperation such as politics and security. While many scholars assert that China is content with being a regional power, OBOR signifies otherwise. Internationalizing the economy will serve to enlist more allies for China. As China provides development opportunities for other nations, its influence is going to increase. While developing nations are likely to increase their support to China, of equal significance is the potential to co-opt nations such as the Great Britain. Obtaining support from nations that have traditionally sided with the United States on most endeavors is a big step in achieving global prestige for China. Ferdinand writes, "From the perspective of Chinese strategy, this is the sort of strategy that a nation might adopt in a long game to surround or neutralize an opponent's more exposed or isolated pieces before gathering forces for an assault on the main stronghold."²⁶

Next, OBOR has the potential to forge closer ties between Europe and China, an outcome which some think is a key goal for the Chinese government.²⁷ While many US analysts lump Europe together with the United States in referring to the West, China sees key differences in Europe's approach to governance and international relations. In categorizing each country's model for governance and way of life, one Chinese analyst expressed preference for the European model over the American model. A key area highlighted in the author's description was the European political economy of social capitalism which he contrasted favorably against American market

²⁶ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 953.

²⁷ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 953.

fundamentalism. Also, the analyst noted the inclination of Europeans to accommodate pluralism and accept the interdependence of different communities, where Americans were more inclined towards imposing uniformity. He further took stock of the European preference for multilateralism and their greater willingness to use peaceful measures and negotiation to solve global problems, as opposed to the American preference for unilateralism and military force to resolve conflicts. Summarily, even though the author admitted the European dream was still in formation, he still showed a strong preference for the European way of life and governance as a more appropriate option for populations around the world compared to the American framework.²⁸

Thus, OBOR can be viewed as an attempt to garner a long-term relationship with Europe. Since China is assessed to have an affinity for the European way of life, the transport links may be the mechanism by which China achieves this goal. Also, OBOR could also help China reduce Europe's reliance on the US which could further complicate Euro-American ties.²⁹ As Ferdinand writes, "The OBOR initiative represents an opportunity for Europe, in the form of the EU, to join hands with China and remake the world."³⁰

²⁸Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 947.

²⁹ Europe has yet to determine a unified response to OBOR or determined if increased connectivity with China is positive. However, some scholars opine that Europe should respond with a "Digital Silk Road" as a means to capitalize on the connectivity that OBOR will afford. Scholars assert that companies in Europe need a more competitive plan rather than relying on cooperation in traditional industries and infrastructure. Instead, the focus should be on new markets created in innovative areas such as smart cities, e-health, intelligent transport, energy, and the Internet of Things (IoT). Thus, for many, OBOR could serve to be a means to an end. Source: <http://www.friendsofeurope.org/global-europe/eus-response-obor-digital-silk-road/>. Additionally, there is no evidence supporting a belief that Europe views China as having similar values; however, this does not preclude Europe from working with China to better its economy. This section's intent is to reflect China's view of Europe and its perception of shared values

³⁰ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 955.

Next, OBOR signifies China's willingness to compete with the United States.³¹ For years, scholars have opined that China had not taken steps to balance against the United States. Nonetheless, OBOR suggests it may be time to dismiss that assertion. China's deliberate partnership with US allies signifies encroachment on what previously was perceived to be American strongholds. While it will still probably be a long time before China accomplishes any hard-balancing moves against the US, the OBOR initiative represents a stern soft balancing attempt by China.

Finally, OBOR has the potential to solidify China as the true leader of developing nations. China has considered itself the default leader of developing countries for quite some time. At a point in the not too distant past, China was in the position of many of today's developing nations. Thus, compared to other powers, China may understand how best to connect with developing nations. Through the OBOR initiatives that assist developing nations while respecting their sovereignty and political differences, China could solidify its role as leader of the "up and coming."

Path Analysis

In comparing Chinese policies, actions, and statements associated with OBOR against the pre-determined indicators of each path, OBOR appears to be most consistent with Path 3 overall. The following paragraphs highlight key findings from this analysis. (Note: With OBOR, we can effectively discern evidence related to the elements of institutions, economic cooperation, and state sovereignty, whereas there is not enough available related to multilateralism and rules-based governance to make a reasonable assessment.)

³¹ Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 953.

International Institutions

OBOR is facilitating the creation of multilateral institutions such as the AIIB and the NDB to support its infrastructure development. In creating these institutions, China is deliberately making strides to distance itself, as well as other nations, from existing institutions. These institutions are not only a funding source for OBOR but also represent a new framework in which nations can come together to discuss issues without involving the United States. In reaching out to regional as well as global nations, China is expanding its influence and pulling more nations into its orbit to form broader partnerships geared towards increasing Chinese global influence. China does intend to use some existing institutions to support OBOR's implementation; however, the institutions used are Chinese-backed and well within China's realm of control. Finding: The element of international institutions is most consistent with Path 3.

Economic Cooperation

OBOR epitomizes economic cooperation. While the ultimate goals of OBOR are to generate revenue for the Chinese government and internationalize the Chinese economy, China is doing so in a manner that appears non-intrusive and non-threatening to other states. For example, while China seeks to connect players across the globe through its infrastructure development, it is not dictating the production requirements for each participating nation. Each nation has free reign to internally determine how best to support OBOR. Also, China is not attaching political ties or requirements for nations that partake in OBOR. Any of the 60 plus nations that engage in cooperation with China through OBOR can do so under their own terms.

Furthermore, OBOR's economic initiatives are global in nature. As part of the creation of the Eurasia Land Bridge, China is seeking to connect itself with countries as remote as Germany. Additionally, in creating six Economic Corridors, China is working to bring prosperity to many developing nations indicating a shift from its previous zero-sum approach to economic cooperation. For example, OBOR's China - Indochina Peninsula will incorporate the countries of Cambodia, Laos, Myanmar, Thailand and Vietnam in hopes of bettering each of these state's economies and fostering more trade circulation. Finding: The element of economic cooperation is most consistent with Path 3.³²

State Sovereignty

OBOR reflects China's broader pattern of placing state sovereignty at the forefront of global engagement. While seeking to connect with global and regional players, OBOR does not infringe or challenge state sovereignty. Unlike the US Marshall Plan implemented by the US following WWII, OBOR does not mandate changes in governmental structure or require adherence to new political agreements. Also, it does not dictate production standards for participating nations. The deliberate observance of state sovereignty could be key in enabling OBOR's success. Finding: The element of state sovereignty is consistent with Path 2 and Path 3.

³² China's non-interference approach could wane over time. However, OBOR, currently is couched as a non-interference initiative

Table 2: OBOR Path Comparison

OBOR Implementation	Path 1 Rise in Liberal Order (Status Quo)	Path 2 Create Illiberal Order	Path 3 Create Alternate Liberal Order
Institutions	<ul style="list-style-type: none"> - Continued utilization of existing institutions - Limited growth in new Chinese led institutions 	<ul style="list-style-type: none"> - Creation of new global institutions - Successful recruitment of global and regional participants - Continued use of old institutions in which China enjoys parity 	
Multilateral Cooperation	<ul style="list-style-type: none"> - Limited to existing constructs - Heavily utilized to increase status 	<ul style="list-style-type: none"> - Increase in state to state engagements - Limited use of multilateral frameworks 	<ul style="list-style-type: none"> - Critical to alternate order - Incorporated into new - Used to garner support for new order
Economic Cooperation	<ul style="list-style-type: none"> - Focuses within existing economic frameworks - Strong foundations in Western World economies - Limited growth in new Chinese led institutions 	<ul style="list-style-type: none"> - Aggressive challenging of existing rules & international norms - Increased defiance of international norms (i.e. economic exclusion zones) 	<ul style="list-style-type: none"> - Focused on developing nations (to create allies) - Free of political conditions - "Free will" & incentive based - Primary focus of multilateral cooperation - Expanded to include global players & markets
Rules	<ul style="list-style-type: none"> - Adheres to status quo rules (western values): democracy, free-trade, human rights etc - Sporadic challenging of Western based rules 	<ul style="list-style-type: none"> - Aggressive challenging of existing rules & international norms - Increased defiance of international norms (i.e. economic exclusion zones) 	<ul style="list-style-type: none"> - Rule based system - Rules are based on China's international values: primacy of sovereignty & state rights, acceptance of regulated & state directed economy
State Sovereignty	<ul style="list-style-type: none"> - Limited support for state rights primacy over global cooperation 	<ul style="list-style-type: none"> - Strongly emphasized - Most important norm 	<ul style="list-style-type: none"> - State rights & sovereignty receive primacy - Will support other norms as long as they do not infringe on state sovereignty

Summary

Chapter 4 provided a close-up view of China's OBOR infrastructure development project. In reviewing its framework, goals, objectives and implications, this chapter illustrated how China's implementation of OBOR is most consistent with Path 3. OBOR represents a major step in China's construction of an alternate liberal order. If successful, China's OBOR project could vastly affect American influence in areas of strategic importance. In a similar fashion, Chapter 5 examines the framework, goals, and implications surrounding China's creation of the AIIB.



Chapter 5

Case Study Two – The Asian Infrastructure Investment Bank (AIIB)

The AIIB, unlike the Asia Development Bank (ADB), will be mainly led by developing countries and we must consider their appeal; some rules proposed by Western countries may not be best, in my view.

- **Lou Jiwei**
PRC Finance Minister

This next case study focuses on China's creation of the world's newest global economic institution in the AIIB. Like the OBOR initiative discussed in the previous Chapter, the AIIB is a global endeavor undertaken by China that highlights a shift from a traditional isolationist approach, to one more consistent with a rising global or regional power. On the surface, the AIIB is a new multilateral financial institution that seeks to bring global and regional countries together to address the vast infrastructure needs in Asia.¹ Since the institution recently opened its doors in January of 2016, much of what will be discussed in this section is tentative. Nonetheless, the implications of China's strategic posturing in creating the AIIB is clear once examining the intricacies of the AIIB's structure, policies, and goals.

For China, the AIIB represents more than an economic lending source for developing nations' infrastructure needs. The AIIB is an illustration of China's push to provide the world an alternate method of global economic governance in a construct not tied to the United States. If China is successful in accomplishing this goal, it is one step closer to the achievement of an alternate liberal order that better suits its ascent. Thus, the intent of this section is to illustrate

¹ "Introduction". 2016. Asian Infrastructure Investment Bank. <https://www.aiib.org/en/about-aiib/index.html>.

how China's creation of the AIIB supports Path 3 through the AIIB's use of multilateralism, economic cooperation, and apolitical and rules-based frameworks. To highlight these attributes, this section covers the AIIB's goals, structure, and international and domestic drivers. This chapter also discusses key implications that will likely result from the AIIB's creation. The chapter ends with a Path analysis assessing the consistency of AIIB with Path 3.

Overview

It has been twenty-six years since the creation of the last major global financial institution. This fact alone warrants taking a closer look at the AIIB. On 25 June 2015, fifty-six nations gathered in Beijing to sign the Memorandum of Understanding (MOU) for the creation of the AIIB signifying their support for the Chinese-founded bank. China's goal in creating the new economic institution is to "chip away" at the development gap in Asia through the fostering of "sustainable economic development, the creation of wealth, and improvement of infrastructure connectivity through the funding and investment of infrastructure development" projects in the region. The emergence of the AIIB is timely because the lack of infrastructure development has proven to be the biggest hurdle to economic progress and trade in Asia.²

The AIIB's approach to operations appears to be different than its predecessors.³ For example, the AIIB intends to limit its scope solely to infrastructure development projects as opposed to focusing on other large issues such as agriculture, healthcare and education. These other issues have received attention over infrastructure in key economic institutions like the

² Chin, Gregory. Global Governance pg 11.

³ The AIIB should not be viewed as a replacement for the World Bank or any of the existing financial institutions. From a monetary perspective, the AIIB, as it stands today, does not have the lending power to replace the major institutions. However, the implications rest not in the AIIB's ability to replace the World Bank and the National Development Bank, but instead lies in their ability to promote a different form of global economic governance and the willingness of major international players to accept China in this new capacity.

World Bank.⁴ Also, Chinese leadership is adamant that it wants the bank to focus on investment opportunities instead of politics. In response to criticism that China will in the future seek to dominate the AIIB, the president of the AIIB, Jin Linquin stated, “The AIIB is not a political organization or alliance.” For China, deemphasizing politics in its new institution is key and reflects an emphasis on sovereignty over other international norms.⁵

Judging by the mix of regional and global players that have signed on to be founding members of the AIIB, China’s emphasis on infrastructure development seems to have struck a positive chord across the international community. Major international players that have signed on to the AIIB include the United Kingdom, Germany, Russia, Kuwait and Saudi Arabia to name a few.⁶ Nafey Abdul argues that international relations have become more about infrastructure development among the emerging and developed economies. Asian economies, he asserts, are vying for investment in infrastructure since they see it as the best mechanism to achieve growth. According to Nafely, all other domestic and foreign policy initiatives among developing nations have been dovetailed to achieve this singular goal.⁷

While infrastructure development has served as the primary driver for the bank's creation, frustration with existing institutions have also played a major role in the AIIB’s widespread acceptance. One of the greatest frustrations among Asian nations has been the lack of focus on infrastructure development in the existing financial institutions like the World Bank and Asian Development Bank (ADB). For years, Chinese officials have urged the World Bank to allocate

⁴ Chin, Gregory. Global Governance pg 18.

⁶ "Introduction". 2016. Asian Infrastructure Investment Bank. <https://www.aiib.org/en/about-aiib/index.html>.

⁷ Nafey, Abdul. "Asia's New Financial Architecture: Politics and Diplomacy"

more attention and resources towards infrastructure development to no avail.⁸ This lack of focus has continued despite the IMF's concurrence that infrastructure development has the largest multiplying economic effect. Instead of focusing on infrastructure, the World Bank and ADB have consistently prioritized the financing of poverty alleviation and healthcare programs, leaving large gaps in infrastructure development.⁹ Thus, China's decision to build an institution to focus on the vast infrastructure needs of developing nations in Asia has received widespread support.

Also, China and many other nations have grown increasingly impatient with the World Bank and ADB's glacial approach to the financing of the few infrastructure projects that have received attention.¹⁰ Allocations earmarked for infrastructure development in Asia by the two institutions typically become mired down in long bureaucratic processes. For example, Indian officials have gone on record noting the "tremendous problem" of rising delays in the approval of World Bank financed infrastructure projects. According to Indian representatives, project appraisals often exceed two years. As a result, the Indian government tried to spur the World Bank to clear up the "clutter" and move more quickly on approving and processing infrastructure projects, but like China, they have experienced no success.¹¹

Frustrations among Asian nations also stem from the biased leadership construct and voting structures in banks like the World Bank and the ADB. For example, although China is the largest economy in Asia, the ADB consistently has been dominated by Japan. Japan's voting

⁸ Chin, Gregory. *Global Governance* pg 18.

⁹ Nafey, Abdul. "Asia's New Financial Architecture: Politics and Diplomacy".

¹⁰ "Why China Is Creating a New "World Bank" For Asia". 2014. Economist.Com.

<http://www.economist.com/blogs/economist-explains/2014/11/economist-explains-6>.

¹¹ Chin, Gregory. *Global Governance* pg 18.

share allocation is more than twice China's voting share. Also, the ADB President has consistently been a Japanese citizen instead of rotating among the key regional players.¹² Similarly, the World Bank, as part of the post-World War II Bretton Woods financial system, remains headquartered in the United States and consistently has an American as president. In addition, the voting structure remains antiquated despite China's increase in economic standing. For example, the United States and Japan account for 23.4 percent of the voting shares combined as the top two shareholders in the World Bank, while China barely nudges out Germany with 4.5 percent of the voting shares.¹³ While reforms to the leadership and voting structure have been requested by various member countries, the heads of these institutions have continually dragged their feet.¹⁴

Meeting the Need

Frustrations aside, the need China is seeking to meet in creating the AIIB is a formidable one. Infrastructure development requirements in Asia are estimated at 8 trillion dollars through 2020.¹⁵ As referenced above, the lack of infrastructure development in Asia is highlighted as being the greatest barrier to trade in the region.¹⁶ Thus far, the existing global financial

¹² Nafey, Abdul. 2015. "Asia's New Financial Architecture: Politics and Diplomacy".

¹³ "IBRD Voting Shares Column Chart | Data | World Bank Group Finances". 2017. *World Bank Group Finances*. <https://finances.worldbank.org/Shareholder-Equity/IBRD-Voting-Shares-Column-Chart/wf2k-zkn9>.

¹⁴ The distribution of votes at the World Bank was set up to reflect each member country's comparative economic strength (based on a mix of reserves, international trade volumes and national income). In addition, the allocation of voting shares at the World Bank was accompanied by paid-in capital requirements. Thus, the link between the scale of financial backing provided to the Bank and the degree of decision-making power was established. In the bank's early years, the developing country members of the Bank were not concerned about the heavy inequity in the distribution of votes between themselves and their developed country counterparts because their economies were not as strong and they were not sharing the cost of running the bank. This has now changed. Today many developing countries are under-represented, if their share of World Bank votes are compared with their share of world GDP, especially if measured as purchasing power parity (PPP)Source. <https://www.ids.ac.uk/files/GovernanceWorldBank.pdf>

¹⁵ Nafey, Abdul. 2015. "Asia's New Financial Architecture: Politics and Diplomacy".

¹⁶ Nafey, Abdul. 2015. "Asia's New Financial Architecture: Politics and Diplomacy".

institutions are unable to meet the monetary demand. The ADB has a capital base of only \$160 billion, and the World Bank has a base of \$223 billion. Even if they made significant reforms, neither bank could handle the demands of infrastructure development in Asia. Although the AIIB only has an investment base of \$100 billion dollars, with China providing an initial \$29.9 billion, its deliberate emphasis on infrastructure signals to be a huge boost to both developing and established nations in closing the infrastructure gap in Asia.¹⁷

Governance Structure Continuities

While China's decision to fund a multilateral financial institution indicates its frustration with existing economic infrastructures, China is, however, borrowing elements from its predecessors in the structuring the AIIB.¹⁸ Like the World Bank, the AIIB has a governing body that handles all the decision-making for the bank. The AIIB's three-level governance structure is comprised of representatives from all countries and is responsible for the approval and rejection of all key decisions. At one level is the Board of Directors (12 members) that includes a president and vice president. This group that funnels requests for decisions to the 57 representatives on the Board of Governors.¹⁹ For day-to-day activities, the AIIB has a small staff that executes decisions pushed down to them by higher levels.

In addition to the governance structure, the balance of representation and authority is akin to previously existing institutions. Voting shares are largely based on a country's initial contribution to the bank. China was willing to forego veto power and reduce its voting rights to less than one quarter if the United States or Japan joined the bank as a founding member. But

¹⁷ "Why China Is Creating a New "World Bank" For Asia". 2014. Economist.Com.

¹⁸ "Why China Is Creating a New "World Bank" For Asia". 2014. Economist.Com.

¹⁹ Chin, Gregory. Global Governance pg 13.

China has since secured the right to veto, with support of the other 56 members, due to the United States and Japan refusing to sign on. Reportedly, the United States did not sign on to the AIIB over concerns that the Chinese backed bank would not operate at the same level of high standards as the World Bank. As it stands now, the bank's articles set the voting hierarchy according to each member's capital contribution and size of economy. The top bank contributors are as follows: China, as the largest shareholder, has 30.34 percent because of its \$28.9 billion-dollar contribution. India enjoys second place with a \$8.37 billion-dollar contribution providing it with 7.5 percent of the voting shares. Russia is third with its contribution of \$6.53 billion dollars providing it with 5.92 percent of the voting shares. Finally, South Korea is the fourth largest shareholder due to its contribution of \$3.74 billion providing it with 3.5 percent of the bank's voting shares. Since the bank's founding articles mandates that decisions involving structure, membership, capital increases, and other significant issues require a "super majority" of "not less than three-fourths of the total voting power of the members," China by default has been rewarded with a de facto veto.²⁰

AIIB Improvements

While borrowing elements from the World Bank and ADB, the AIIB is seeking to separate itself by improving on best practices of the tenured economic institutions, while establishing new norms that benefit its target audience. In 2015, Chinese Finance Minister Lou Jiwei emphasized that the AIIB, unlike the ADB, will be "mainly led by developing countries, and [they] must consider their appeal first." He goes on to remark, "Some rules proposed by Western countries

²⁰ Chin, Gregory. Global Governance pg 13.

may not be best, in [his] view.”²¹ Lou’s sentiment is reflected in China’s decision to limit non-regional countries ownership to less than one-third of the bank.²² The intent behind this policy stance is to ensure that regional players drive the bank's direction.

China’s also intends to incorporate more transparency in how it selects AIIB leadership. According to the bank’s articles, the president of the AIIB is not required to be a Chinese citizen. This stands in contrast to the World Bank and the ADB which have always been led by an American and Japanese citizen respectively.²³ Chinese leadership intends to select future AIIB president via an election process in which all founding members have an opportunity to vote. China’s only mandate is that all candidates must originate from one of the regional countries. While China seeks to be fair and transparent, it is adamant that the AIIB will be driven by the needs of regional players and not those of outsiders.²⁴

One of the major improvements China has implemented in creating the AIIB is the presence of a non-resident Board of Directors.²⁵ Referenced previously, one of the foremost issues with existing financial institutions is the red tape surrounding decision-making and the approval of initiatives. China’s allowance of a non-resident board allows directors to obtain decisions electronically vice waiting for an in-resident session. China believes that the funding used for board members to travel would be better used for infrastructure projects. Currently, the cost of

²¹ Chin, Gregory. Global Governance pg 13.

²² Chin, Gregory. Global Governance pg 20.

²³ The World Bank does utilize a voting structure to select its President. However, combined the United States, Europe and Japan account for 54 percent of the votes and largely determine the bank’s President. The key implication here is that the developing nations have relatively no say in determining the bank’s leadership.

²⁴ Chin, Gregory. Global Governance pg 20.

²⁵ Chin, Gregory. Global Governance pg 20.

running the World Bank, with a resident board, is \$70 million dollars annually. In the AIIB, the board members are not paid and can work from their home countries.

Domestic Drivers

To assert that China created the AIIB purely to alleviate international frustrations and provide a more efficient means of infrastructure lending is not entirely true. Like the OBOR initiative, China has domestic concerns that serve as key drivers for the new bank's creation. One of China's main business and economic goals is to ensure profits for its State-Owned Enterprises (SOE). From 1979 to 2010 China experienced a phenomenal economic growth rate of 9.7 percent a year due to modernization efforts that were heavily focused on domestic infrastructure development. However, since 2010, China's economic growth rate has slowed to roughly 7 percent annually as it shifts to a more consumer-based economy.²⁶ Thus, China's financing of the AIIB offers its SOEs privileged access to future infrastructure projects abroad.

China also has a goal of internationalizing its economy and propagating the renminbi (RMB). By bidding on infrastructure projects abroad, China can recycle a part of its \$4 trillion foreign exchange reserves abroad for better returns while also circulating its currency.²⁷ Since the RMB is now a reserve currency with the IMF, this increases the attractiveness for countries to utilize it abroad.²⁸ And as discussed above in the OBOR case study, the legitimacy of the ruling party in China is largely tied to the state's economic prowess. Therefore, economic

²⁶ Chin, Gregory. Global Governance pg 20.

²⁷ Chin, Gregory. Global Governance pg 20.

²⁸ "IMF Adds Chinese Renminbi to Special Drawing Rights Basket". 2017. Imf.Org.
<http://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>.

progress in the form of internationalization of the RMB is likely to bolster the party's hold over the country and stifle opposition efforts.

Political Implications

While some may regard China's AIIB as purely a multilateral economic institution, the bank's creation, acceptance, and potential success may have significant implications for the international community. For one, the AIIB represents a "new approach to old problems."²⁹ The Asian infrastructure deficit has been around for quite some time. However, the Bretton Woods institutions and the ADB have failed to meet the need or even consider Asian nations' concerns seriously. Enda Curran writes, "By involving developed countries, banks and firms from those member nations will likely be able to compete to win a place on AIIB-backed projects, which should increase overall governance standards...If done right, the rise of the AIIB offers a new approach for Asia's infrastructure financing." Thus, China's creation of a bank that is lean, free of political obligations, and devoted to developing nations represents a new paradigm in global economic governance. Also, the AIIB's continued progression without the United States signals to the international community that multilateral frameworks can exist, and potentially succeed, without the United States' involvement or oversight.

In addition, the overwhelmingly positive response by regional and global players represents a decline in American dominance. It is no secret the United States encouraged its traditional partners such as the United Kingdom, France, and Germany to refrain from joining

²⁹ Curran, Enda. 2015. "China's New Bank Offers Fresh Approach to Old Problems". Bloomberg.Com. <https://www.bloomberg.com/news/articles/2015-03-26/china-s-new-bank-offers-fresh-approach-to-old-problems>

the Chinese-backed institution.³⁰ However, the fact that these nations still joined indicates a potential decline in America's global influence and a relative rise in China's sway. One scholar asserts that acceptance of the AIIB is an important development in global governance and reflects key shifts in the balance of world economic power. He goes on to state that the AIIB's creation and widespread approval suggests that China has made the transition to global leadership only decades after its main concern was learning the established norms.³¹

Finally, China's willingness and ability to found the AIIB, and successfully solicit membership around the world, demonstrates that China wants to take more of a global leadership role. Although the AIIB focuses primarily on Asian infrastructure development, China's deliberate attempts to draw in players from outside the region reflects a desire to widen its political orbit. Seeking to counter US influence, China probably hopes that embarking on economic cooperation with 56 nations will lead to cooperation in other areas of cooperation, namely security. Also, China has long considered itself the leader of developing nations. By successfully bringing much needed support to the "have nots," of the world, China is solidifying this leadership position.

Path Analysis

In comparing Chinese policies, actions, and statements against the pre-determined indicators of each path, the AIIB appears to be most consistent with Path 3 overall. The following paragraphs highlight key findings from this analysis.

International Institutions

³⁰ "Why China Is Creating a New "World Bank" For Asia". 2014. Economist.Com.

<http://www.economist.com/blogs/economist-explains/2014/11/economist-explains-6>.

³¹ Chin, Gregory. Global Governance pg 12

The AIIB is the first major global financial institution created in the last 25 years. As the above paragraphs indicate, China created the AIIB for several reasons. However, one of the foremost reasons for the AIIB is the growing frustration with existing global financial institutions. The inability of China, India, and other nations to persuade the World Bank and ADB to focus more on infrastructure development, created the space needed for China to successfully create an alternate institution. The creation of the AIIB provides strategic messaging to the developing world that China can provide a more efficient institutional framework, with the AIIB a precursor of things to come. China's ability to attract 56 nations, including several key US allies, indicates that the broader international community is amenable to China's message. The creation of new institutions directly meshes with Path 3 and is a major step in China's construction of an alternate order. Finding: The element of international institutions is most consistent with Path 3.

Multilateralism

Multilateralism is at the core of the AIIB's structure. By giving all founding members a voting role on the Board of Governors, and ensuring that all major decisions regarding the bank receive not less than three-fourths of the vote, China's signals its commitment to multilateral cooperation.³² China has even gone a step further in mandating that the president of the AIIB be elected by a clear and transparent electoral process, thus providing voice to multiple nations. Finding: The element of multilateralism is most consistent with Path 3.

Economic Cooperation

³² Chin, Gregory. Global Governance 13.

The AIIB reflects China's focus on the international economic realm and is geared toward developing nations. China understands that it has political leverage within the region and around the world because of its economic standing. Therefore, it is logical for China to focus their cooperation efforts in an area they consider their strong suit. Also, AIIB president Jin Linquin has made clear that China intends to focus on developing countries and meeting their needs. Finding: The element of economic cooperation is most consistent with Path 3.

Rules-Based Governance

China's leadership has been careful to ensure the AIIB has guidelines and policies for the interworkings of the AIIB. The bank's Articles of Agreement, which required acknowledgment by all founding members, illustrates China's attempt establish a clear and widely-accepted rules-based framework. This set of rules delineates the bank's lending practices and methods for approval. While still early, it appears China is cognizant of the negative preconceptions onlookers may have with a Chinese-led global institution. The AIIB's framework at least suggests that China respects and understands the importance of utilizing rules to allay the fears of smaller, less powerful, nations. Finding: The element of rules-based governance is most consistent with Path 3.

State Sovereignty

The congruency between the AIIB and the norm of state sovereignty is difficult to ascertain. However, a few inferences can be made based on Chinese commentary. Chinese leadership has continually asserted that the AIIB is not a political organization or alliance, communicating their intent to run the AIIB more like a commercial bank. While this likely

stems, in part, from China's desire for efficiency, it is also consistent with China's desire to uphold the sovereignty norm by providing member states a great deal of freedom of action.

Table 3: AIIB Path Comparison

AIIB Analysis	Path 1 Rise in Liberal Order (Status Quo)	Path 2 Create Illiberal Order	Path 3 Create Alternate Liberal Order
Institutions	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	<ul style="list-style-type: none"> - Creation of separate global institutions - Successfully recruits global and regional participants - Continued use of old institutions in which China enjoys parity
Multilateral Cooperation	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	<ul style="list-style-type: none"> - Critical to alternate order - Incorporated into new - Used to garner support for new order
Economic Cooperation	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	<ul style="list-style-type: none"> - Focused on developing nations (to create allies) - Free of political conditions - "Free will" & incentive based - Primary focus of multilateral cooperation - Expanded to include global players & markets
Rules	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	<ul style="list-style-type: none"> - Rule based system - Rules are based on China's international values: primacy of sovereignty & state rights, acceptance of regulated & state directed economy
State Sovereignty	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	Continued institutionalization of old order in contemporary institutions - World Bank - Asian Development Bank - International Monetary Fund	<ul style="list-style-type: none"> - State rights & sovereignty receive primacy - Will support other norms as long as they do not infringe on state sovereignty

Summary

Chapter 5 provided a close-up view of China's AIIB. In reviewing the AIIB's objectives, structure, institutional improvements, drivers and implications, this chapter illustrates the congruence of the AIIB with Path 3 and suggests that the AIIB is a step towards China's creation of an alternate order. The final chapter presents key lessons from the study, weighing the

findings from the OBOR and AIIB case studies, and then discusses implications for the United States and its allies moving forward.



Conclusion

A Red Liberal Order

...China's foreign policy objectives needed to be assessed through its actions rather than through any expression of doctrine.

- **Shaun Breslin**

This study set out to understand the meaning of China's recent political activity in the context of its rise to great power status. Looking at China's OBOR initiative and creation of the AIIB, I have attempted to show the utility of considering an alternate path vis-à-vis the international order. In comparison to the paths that represent conventional thought on China's rise, the Alternate Liberal Order framework is more consistent with China's recent activity and thus likely reflects the course China will traverse during its continued ascent.

Argument Summary

This study argued that traditional views regarding the rise of China are outdated. Claims that China is content with or relegated to rising within the American-led liberal order, or that China seeks to overthrow the existing liberal order and establish an illiberal order, are not consistent with the recent trend of Chinese behavior in the international domain. Since the arrival of President Xi Jinping to office, China has dramatically shifted its foreign policy approach. Previously characterized by Deng Xiaoping's philosophy of "conceal brilliance and cultivate internal strength," China's recent actions indicate a new approach to foreign policy that is heavily focused outward. With its outward focus, China appears to be posturing itself to take on more of a global governance role through the creation of its own alternate liberal order. In the construction of this order, China appears to be relying heavily on many of the elements utilized by the United States following WWII.

China's emphasis on international institutions, multilateralism, economic cooperation, rules-based governance, and the norms of state sovereignty and non-interference falls in line with the Alternate Liberal Order Path introduced in this study. China intends to attract nation states to its sphere of influence through a liberal framework that is undergirded by economic diplomacy. China hopes that economic success and cooperation will bleed over into other areas of cooperation. By intertwining its economy with the economies of other nations, and providing an economic boost to its partners, China seeks to draw other nations into its orbit. Thus, China's adoption of the OBOR initiative and the creation of the AIIB are initial steps in the construction of a new liberal order and reflect a long-term objective to supplant the United States as global leader.

OBOR Implications – China A Legitimate Global Leader

China's OBOR is a vast infrastructure initiative to connect China with over 60 different countries spanning across Eurasia. Consistent with Path 3, OBOR is a multilateral framework that demonstrates China's appreciation for cooperation and coordination. If the project experiences even marginal success, its impact on the international order could be tremendous. One of the key implications stemming from the project is the potential to legitimize China as a global leader. China has long considered itself the default leader of the developing world. Thus, OBOR has the potential to solidify that title for China by deliberately bringing prosperity to key areas in Asia and beyond. What is noteworthy is that in seeking to connect itself with other nations, China is also remaining cognizant of state sovereignty by leaving domestic production requirements to the purview of each nation. In this construct, if China is successful in bringing prosperity to even half of the developing nations it is targeting while demonstrating respect, and even promoting, state sovereignty, China will surely gain a greater political foothold in the developing world. In the

future, these relationships could prove vital should the United States and China engage in some form of conflict around the globe.

Also, OBOR has the potential to forge closer ties with more developed nations such as those in Europe. Consistent with Path 3, China is seeking to expand influence beyond its traditional regional boundary. If successful in courting European states, this will further increase China's legitimacy as a global leader. Since WWII, Europe has largely been a close partner that the United States could leverage for various reasons. However, if OBOR is successful, this could mean the tide is turning on that partnership. The United Kingdom, Germany, France, and other European countries signing on to OBOR represents a decline in American influence in the region and a potential pivot by some European countries toward a new relationship with China. Since China has long viewed the European approach to politics and governance as preferable to the American approach, Chinese efforts to move closer to Europe are not surprising. In the end, the growing ties between Europe with China could have a major impact on the international order.

AIIB Implications – A New World View of China

In creating the AIIB, China is seeking to boost infrastructure development across Asia. Consistent with Path 3, the framework adopted by China to construct the AIIB underscores an appreciation for cooperation in the international arena. However, the AIIB also hints at China's disdain for the existing American-led economic system. In fact, China has gone on record highlighting that its bank will be different from other economic institutions in that it will be lean, green, and free of political conditions. Also, China has refuted assertions that it seeks to dominate the bank by promising that the bank will be transparent and run like a business as opposed to a political organization or alliance.

The greatest implication of AIIB is the overwhelming global acceptance of a Chinese-led institution. To date, 56 nations have signed on to be partners. In effect, 56 nations have agreed to be led by China, a concept that would have been unheard of 40 years ago. While some might argue that the joining of less than one third of the world's countries is not significant, a closer look at the nations that have joined indicate otherwise. Large international players such as the United Kingdom, Germany, India, and Saudi Arabia have signed on to support China in the face of the United States' objection. This clearly indicates the acceptance of China as a global leader and is significant for several reasons. First, it means that China has successfully shaken off, or made significant progress towards shaking off, the "rouge" moniker. More importantly, it means that the notion of China being a world leader is no longer unpalatable. Nations from the Middle East, Europe, and Asia have all agreed to be founding members, even those that claim to be allies of the United States. In all fairness, China has taken significant strides over the years to convey its willingness to play by a set of rules and norms. The acceptance of China's new approach to global governance by the international community presents a new dilemma for the United States. The United States must re-think its approach to China if it hopes to maintain its current level of global influence.

Policy Implications

For the United States, the old method of dealing with China may no longer be feasible. Painting China as an illiberal or rogue state because of its laundry list of domestic issues may not produce the results the United State is seeking. If China experiences even marginal success in the OBOR project and the AIIB, nations could become less focused on China's domestic policies as they benefit from China's foreign policies. Also, efforts by the United States to ignore China will

also prove futile in the future. Left to its own devices, China has the potential to create an alternate order, which in time could diminish US influence and freedom of action in key areas across the globe. China already has a foothold in South America, Eurasia, and Africa as a member of the informal BRIC construct, and the OBOR and AIIB initiatives could prove successful in extending that foothold to other areas of interest.

Thus, the key question for the United States is how best to deal with China if negative messaging and ignoring China are not a viable option. Is it better to engage China and work towards bringing the Chinese deeper into the American-led construct in hopes that they will abandon the creation of rival order? Or, should the United States let China's political efforts run their course with the belief that old habits die hard and China will return to its illiberal ways?

The answers to above questions are beyond the scope of this study. However, there are a few key actions the United States should take to posture itself in relation to a rising China. First, the United States must recognize China's actions for what they are. The United States has evolved, the world has evolved, and subsequently, China has evolved. While the United States should be aware of China's tendencies in the past, that knowledge should not completely cloud how the United States interprets China's present behavior.

Second, the United States needs to seriously think about its desired end state with China. Does the United States want to treat China as an ally, adversary or something in between? Is China's pursuit of an alternate liberal order good or bad for the United States (at least relative to China seeking to establish an liberal order)?

Finally, the United States needs to work on making the current US-led order and US methods of global governance more attractive. Unilateral actions have proven to be a huge

detractor from American global influence and prestige. America has been dubbed a nation that likes to set the rules but refuses to play by the rules it sets. Also, hard power has been seen, globally, as a panacea for most of the global problems the United States encounters. To make American governance more attractive, the United States need to demonstrate its willingness to exercise restraint in areas it previously has not. By showing more willingness to work through the multilateral organizations it helped create, even though the outcome and pace may be less optimal than what the United States' prefers, the United States will gain more in the form soft power than could be achieved in the long-run through hard power. In the end, the United States must begin to take the long-view approach to foreign policy as it did following WWII, vice the short-term haphazard approach it has been operating under since 2002.¹

Future Areas of Study

The case studies used in this thesis represent a mere slice of China's new foreign policy initiatives. Also, since both cases are less than two years old, it is difficult to determine if the impact will be as advertised. Thus, more cases need to be examined over time to see if Path 3's assumptions hold true. In addition, the referenced case studies need to be compared with China's activity in other places such as Sub-Saharan Africa. Also, further pointed observations will provide additional insight on how serious China is about creating a new order. If China begins to extract itself from existing institutions while continuing to build parallel structures, then Path 3's assumptions are likely accurate. If not, more options need to be examined including those

¹ The United States has engaged in multilateral engagements and cooperation in an economic capacity successfully. Nonetheless, the United States hard power approach to security has largely overshadowed its limited soft power actions. Most scholars mark 2002, under the Bush Doctrine, as the turning point in the United States foreign policy approach from a security perspective.

discounted earlier in this study. Finally, the progress of the OBOR project and AIIB need to be revisited after each is fully operational. As problems surface in each initiative, and with China new to global leadership, observing how China deals with these problems, as well as other country's reactions to China's solutions, could prove instructive.

Final Thoughts

No one can predict with any certainty what the impact of China's new found economic power will mean for the international order. Assertions detailing the course China will take during its ascent are largely conjecture at best. However, it's important to continually evaluate why we believe what we do about China and reassess as required. Conventional wisdom surrounding China's rise to power is not consistent with China's recent political activity. Continued analysis of China under these outdated frameworks will likely lead to improper conclusions and improper policy actions. Therefore, adding a new framework or path to the lexicon that is more consistent with China's recent activity should prove useful. Consideration of Path 3 does not require completely discarding more prominent views. Instead, it offers a different point to begin the conversation. In this case, changing the framework for analyzing China's rise may be fruitful, as a different lens sometimes bring a new and more accurate perspective to long-studied problems.²

Bibliography

² Moltz, James Clay. 2011. *The Politics of Space Security*. 1st ed. Stanford, California: Stanford Security Studies. 41

- Bondaz, Antoine, David Cohen, François Godement, Agatha Kratz, and Raffaello Pantucci. 2015. "One Belt, One Road China's Great Leap Outward." *European Council On Foreign Relations*. http://www.ecfr.eu/page/-/China_analysis_belt_road.pdf.
- Breslin, Shaun. 2001. "The 'China Model' and The Global Crisis: From Friedrich List To A Chinese Mode Of Governance." *International Affairs*, 1323-1343.
- "CBBC - One Belt, One Road." 2017. *Cbbc.Org*. <http://www.cbbc.org/sectors/one-belt,-one-road/>.
- Chin, Gregory. 2016. "Asian Infrastructure Investment Bank: Governance Innovation And Prospects." *Global Governance* 22: 11-26.
- Chin, Gregory. 2015. "China's Presidency of The G20 Hangzhou: On Global Leadership and Strategy". *Global Summit* 1 (2): 151-170.
- "China Overview." 2017. *Worldbank.Org*. <http://www.worldbank.org/en/country/china/overview>.
- Curran, Enda. 2015. "China's New Bank Offers Fresh Approach to Old Problems." *Bloomberg.Com*. <https://www.bloomberg.com/news/articles/2015-03-26/china-s-new-bank-offers-fresh-approach-to-old-problems>.
- David, Dunn. 2006. "A Doctrine Worthy of The Name: George W. Bush and The Limits of Preemption, Pre-eminence, and Unilateralism". *Diplomacy and Statecraft* 17: 1-29.
- Dowd, Alan. 2017. "In Search of Monsters to Destroy: The Cause and Costs of The Bush Doctrine". *The World and I* 18 (1): 281-293. <http://aufic.idm.oclc.org/login?url=http://search.proquest.com/docview/235801715?accountid=4332>.
- Erthal, Abdenur. 2014. "'Emerging Powers as Normative Agents: Brazil and China Within the UN Development System.'" *Third World Quarterly* 35 (26): 1876-1893.
- Ferdinand, Peter. 2016. "Westward Ho—The China Dream And 'One Belt, One Road': Chinese Foreign Policy Under Xi Jinping". *International Affairs* 92 (4): 941-957.
- Fullilove, Michael. 2017. "China and The United Nations: The Stakeholder Spectrum". *The Washington Quarterly* 34 (3): 63-85.

- Gerson, Joseph. 2003. "American Icarus: Goals, Dangers, And Resistance to Bush's Imperial Aggression". *Peacework* 30 (334).
- Gilpin, Robert. 1981. *War and Change in World Politics*. 1st ed. Cambridge: Cambridge University Press.
- Gu, Bin. 2017. "Chinese Multilateralism in the AIIB". *Journal of International Economic Law* 20 (1): 137-158. doi:10.1093/jiel/jgx006.
- Hai, Yang. 2017. ""The Asian Infrastructure Investment Bank and Status-Seeking: China's Foray Into Global Economic Governance."" *Chinese Political Science Review* 1 (4): 754-778.
- Hirsch, Michael. 2002. "Bush and The World". *Foreign Affairs* 81 (5).
- "Home | Think Tank | European Parliament". 2017. *Europarl.Europa.Eu*. <http://www.europarl.europa.eu/thinktank>.
- "IBRD Voting Shares Column Chart | Data | World Bank Group Finances". 2017. *World Bank Group Finances*. <https://finances.worldbank.org/Shareholder-Equity/IBRD-Voting-Shares-Column-Chart/wf2k-zkn9>.
- Ikenberry, G. John. 2014. "The Illusion of Geopolitics: The Enduring Power of The Liberal Order". *Foreign Affairs* 93 (3): 80-90.
- Ikenberry, G. John. *Power, Order, And Change in World Politics*. 1st ed.
- Ikenberry, G. John. 2012. *Liberal Leviathan*. Princeton, N.J.: Princeton University Press.
- Ikenberry, G. John. 2015. "The Future of Liberal World Order". *Japanese Journal of Political Science* 16 (3): 450-455.
- "IMF Adds Chinese Renminbi to Special Drawing Rights Basket". 2017. *Imf.Org*. <http://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>.
- "Institutions, Strategic Restraint, and the Persistence of American Postwar Order On JSTOR". 2017. *Jstor.Org*. <http://www.jstor.org/stable/2539338>.
- "Introduction". 2016. *Asian Infrastructure Investment Bank*. <https://www.aiib.org/en/about-aiib/index.html>.

- Jervis, Robert. 2003. "Understanding the Bush Doctrine". *Political Science Quarterly* 118 (3): 365-388.
- Jonathan Dove, The Diplomat. 2017. "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/>.
- LaFeber, Walter, Richard Polenberg, and Nancy Woloch. *The American Century*.
- Lafeber, Watler. 2002. "The Bush Doctrine". *Diplomatic History* 26 (4): 543-557.
- Lai, David. 2014. "'China's Strategic Moves and Counter-Moves.'" *Parameters* 44 (4): 11-25.
- Lim, Alvin. 2017. "IPP REVIEW--The US, China, And The AIIB: From Zero-Sum Competition to Win-Win Cooperation?". *Ippreview.Com*.
<http://ippreview.com/index.php/Home/Blog/single/id/40.html>. Accessed 28 Nov. 2016.
- Lobe, Jim. 2004. "What Comes After a Unipolar World". *Global Information Network*, 1.
- Luard, Evan. 2017. "China and The United Nations On JSTOR". *Jstor.Org*.
<http://www.jstor.org/stable/2625680>.
- Meade, Walter. 2005. "American Grand Strategy in A World at Risk". *Orbis*, 589-598.
- Mearsheimer, John J. 2003. *The Tragedy of Great Power Politics*. 1st ed. New York City: W.W Norton & Company, Inc.
- Moltz, James Clay. 2011. *The Politics of Space Security*. 1st ed. Stanford, California: Stanford Security Studies.
- Nafey, Abdul. 2015. "Asia's New Financial Architecture: Politics and Diplomacy". *Indian Foreign Affairs Journal* 10 (4). <https://www.questia.com/library/journal/1P3-4070477231/asia-s-new-financial-architecture-politics-and-diplomacy>.
- "National Security Strategy of The United States". 2002. *The White House*.
<http://www.whitehouse.gov/nsc/nss.pdf>.
- "Opinion: A BRICS Bank to Challenge the Bretton Woods System? | Inter Press Service". 2017. *Ipsnews.Net*. <http://www.ipsnews.net/2015/07/opinion-a-brics-bank-to-challenge-the-bretton-woods-system/>.

- "Opinion: A BRICS Bank to Challenge the Bretton Woods System? | Inter Press Service". 2017. *Ipsnews.Net*. <http://www.ipsnews.net/2015/07/opinion-a-brics-bank-to-challenge-the-bretton-woods-system/>.
- Patapan, Haig. 2012. "Democratic International Relations: Montesquieu And the Theoretical Foundations of Democratic Peace Theory". *Australian Journal of International Affairs* 66 (3): 313-329.
- Quinn, Adam. 2011. "The Art of Declining Politely: Obama's Prudent Presidency and The Waning Of American Power". *International Affairs* 87 (4): 803-824. doi:10.1111/j.1468-2346.2011.01005.x.
- "Research | Think Tank | European Parliament". 2017. *Europarl.Europa.Eu*. <http://www.europarl.europa.eu/thinktank/en/search.html?word=One+Belt%2C+One+Road+%28OBOR%29%3A+China%27s+regional+integration+initiative+>.
- Ross, Robert S, and Feng Zhu. 2008. *China's Ascent*. Ithaca: Cornell University Press.
- Santos, Lean. 2015. "Deviating from Norm, AIIB Moves Away from Country Strategies". *Devex*. <https://www.devex.com/news/deviating-from-norm-aiib-moves-away-from-country-strategies-86544>.
- Shaohua Yan, The Diplomat. 2017. "Why The 'One Belt One Road' Initiative Matters for the EU". *The Diplomat*. <http://thediplomat.com/2015/04/why-the-one-belt-one-road-initiative-matters-for-the-eu/>.
- Simon Shen, The Diplomat. 2017. "How China's 'Belt and Road' Compares to The Marshall Plan". *The Diplomat*. <http://thediplomat.com/2016/02/how-chinas-belt-and-road-compares-to-the-marshall-plan>.
- Teitt, Sarah. 2011. "'The Responsibility to Protect And China's Peacekeeping Policy.'" *International Peacekeeping* 18 (3): 298-312.
- "The Broken Contract: Inequality and American Decline On JSTOR". 2017. *Jstor.Org*. <http://www.jstor.org/stable/23039626>.
- "The Primacy of Unilateralism: The American Superpower and The International Organizations in The Clinton Era On JSTOR". 2017. *Jstor.Org*. <http://www.jstor.org/stable/41157686>.
- Vaïsse, Justin. 2017. "The Rise and Fall of The Bush Doctrine: The Impact on Transatlantic Relations". *Escholarship*. <http://escholarship.org/uc/item/5qg2v2d8>.

- Waltz, Kenneth N. 2010. *Theory of International Politics*. Long Grove, Ill.: Waveland Press Inc.
- Wang, Jisi. 2011. "China's Search for A Grand Strategy: A Rising Great Power Finds Its Way". *Foreign Affairs* 90 (2): 68-79.
- "What's Driving China's One Belt, One Road Initiative? | East Asia Forum". 2017. *East Asia Forum*. <http://www.eastasiaforum.org/?p=52106>.
- "Why China Is Creating a New "World Bank" For Asia". 2014. *Economist.Com*.
<http://www.economist.com/blogs/economist-explains/2014/11/economist-explains-6>.
- Wolfe, Wojtek. 2013. "China's Strategic Hedging". *Orbis*, 300-313.
- "Xi and The Blue Helmets; China and The United Nations". 2015. *The Economist* 417: 45-46.
- Xing, Yuqing. 2016. "'The Asian Infrastructure Investment Bank and China's Role In Regional Economic Governance.'" *East Asian Policy* 8 (2): 25-36.
- Zheng Wang, The Diplomat. 2017. "China's Alternative Diplomacy". *The Diplomat*.
<http://thediplomat.com/2015/01/chinas-alternative-diplo>

