

Prelude to the Shift in Global Leadership: China's "One Belt, One Road" Initiative and Rebuilding the Asia-Pacific Trans-regional Institutions

Hsin-Chih Chen

Professor and Chair,
Department of Political Science,
National Cheng Kung University

Abstract

The 'One Belt, One Road' (OBOR) initiative, proposed in 2013, marks China's interest in reshaping regional institutions that may impact global power distribution. With an emphasis on the process of institutional reshaping linking to competition over global power, this paper will first summarize the relationship between international institutions building and hegemonic status of leadership in part one, followed by introduction to the background of China's OBOR initiative in part two, China's changing role in regard to the redistribution of global power in part three, and institutions-related competition between China and the U.S. This paper concludes that China's OBOR initiative has triggered a soft hegemonic competition that entangles global institutional leadership.

Keywords: 'One Belt, One Road', Power Transition, Chinese Foreign Policy, Regional Institutions

I. Introduction

Regarding the expectations about rising powers' incentives to reshape international institutions, an emerging China has been cautiously pursuing global leadership. China's 'One Belt, One Road' (OBOR) initiative, proposed in 2013, marks her interest in reshaping regional institutions, which might have a great impact on her aspirations regarding global leadership.

Less low-profile than before, China is devoting great effort to reshaping regional institutions. China, under the energetic rule of President Xi Jinping, does not conceal her ambition to build a new mechanism for Asian regional financial institutions, to reshape the regional trade regime with the Free Trade Area of the Asia-Pacific (FTAAP), and to construct a new type of regional security forum with the New Asian Security Concept.

This paper will first summarize the importance of reshaping institutions in the competition for global leadership. The background of China's OBOR initiative will then be introduced in the second part. The third part will deal with China's changing role in terms of the redistribution of global power. Part four deals with the institutional competition between the USA and the PRC. This paper concludes that the impacts of China's OBOR initiative are entangling global institutional governance.

II. Reconstruction of Institutions in the Global Leadership Competition

The leadership competition takes places constantly within international institutions. Material power supremacy, normative persuasion with legitimacy, and diplomacy have permitted leading states to build international institutions with secondary states. International institutions, which promote transparency, reduce transaction costs, and discourage cheating (Keohane and Martin 1995); they cannot be constructed without global leadership. The birth of international institutions depended largely on the winner of the hegemonic war, a coercive competition for global leadership. However, the reconstruction of the international institutions demonstrates a peaceful form of global leadership competition.

A. Institutions and Power Competition

Great powers have tried to expand their influence over international institutions which are political mechanisms by which to dominate secondary states. The hegemonic theory

acknowledges the leading role that the hegemon has played in the building of global institution (Gilpin 1981; Kindleberger 1973). Neoliberal institutionalists argue that once the international institutions had been founded, they were transformed into platforms for international cooperation which was less correlated to the rise and decline of the status quo hegemon material power (Keohane 1984). However, there is no doubt that the hegemonic state enjoyed more power leverage resources within the international institutions. Backed by the material power supremacy, the hegemon could establish the international institutions which favored her interests. The promotion of the international free trade system, the quasi-global currency of US dollars that has facilitated global investment and trade, and the security commitment to protect her subordinated partners are examples of public good that the United States has offered with the object of safeguarding her hegemonic society (Gilpin 1981, 139). On the other hand, the hegemon can also boycott cooperation with international institutions that conflict with her interests. The United Nations, the International Monetary Fund, the World Bank, and the World Trade Organization, which regulate movements of goods and capital with norms and rules, are under the great political influence of the United States.

Furthermore, the international institutions generate power resources for the hegemon to master the world. In the first place, material power supremacy allows a hegemon to manipulate the material costs and benefits that the subordinated states have to calculate in the decision-making process of the institutions. The control of raw materials, sources of capital, and markets, as well as the competitive advantages in the production of high-value goods constitute the material power preponderance with which the hegemon influences others to comply with rules in the name of international institution regulations (Keohane 1984, 31). In return, the international institution provides soft power resources for the hegemon to master the world (Nye 1990, 158). The hegemon obtains prestige and legitimacy in the name of international institutions to strengthen the leverage of persuasion. Besides, the international institutions facilitated the international socialization through which contracting states have internalized the rules coherent with the hegemony's interests. Leaders in these secondary states embrace a set of normative ideals articulated by the hegemon (Ikenberry and Kupchan 1990). In the end, the leading position that the hegemony had enjoyed since her construction of the international institutions is enhanced and consolidated.

The hegemon is confronted with power competition inside and outside the international institutions. The international institutions are places ruled by regulations rather than a stage ruled by force. Military force has limited effect on influencing others in international institutions, which provide a scene wherein secondary states soft-balance the hegemony. By adopting "soft-balancing" measures that do not directly challenge the hegemon but use international institutions, economic statecraft, and diplomatic arrangements to delay,

frustrate, and undermine hegemonic policies, other states could also counterbalance the United States power primacy in the international institutions (Pape 2005). Out of the corpus of international institutions, secondary states established new institutions to unify their political strength and demonstrate their political will to counterbalance the great powers. Southeast Asian states used the formation of the ASEAN, the ASEAN Forum and other regional institutions to soft-balance the potential threat of China (Khong 2008, 192-193). Institutions outside of great power control constitute power leverages for the secondary states to bargain with the leading states.

B. The Asia Pacific Trans-regional Institutions

Identifying the international institutions whose contracting parties are sovereign states and/or their subordinated authorities geographically in the Asia Pacific region are trans-regional might be a prudent beginning. Major economic integration proposals concerning China and the United States are trans-regional. The Trans Pacific Partnership (TPP) comprised of states located geographically in Northeast Asia (Japan), Southeast Asia (Brunei, Malaysia, Singapore, and Vietnam), Pacific (Australia and New Zealand), North America (Canada, Mexico, and the United States of America), and South America (Chile and Peru). Chinese leaders pushed the OBOR initiative wherever they visited. In 2017, Chinese Prime Minister Li Keqiang successfully recruited New Zealand to join the OBOR in association with partners of the Middle East and Europe. In addition, Australia and New Zealand were vital players in negotiating the Regional Comprehensive Economic Partnership (RCEP), a trans-regional integration across Northeast Asia, Southeast Asia, and Oceania.

Before the OBOR initiative had been proposed in 2013, there were two approaches to constructing the Asia Pacific trans-regional institutions. Both institution building approaches are under the great influence of the United States.

The ASEAN has been the institutional driver for Asia Pacific confidence-building. Founded in 1967, ASEAN has successfully established the ASEAN Regional Forum (ARF) emphasizing the 'ASEAN way' of consultation and consensus. Subsequent intensification of the ARF, the East Asia Summit (EAS) was established in 2005 and the ASEAN Defense Ministers Meeting (ADMM) was established in 2006. Furthermore, the security platform of the ADMM-plus has been established for ASEAN and its Dialogue Partners: the United State, Russia, China, Japan, South Korea, India, Canada, Australia, New Zealand and the European Union, to strengthen security and defense cooperation for peace, stability, and development. Identifying herself as a regional driver of economic integration, ASEAN transformed the ASEAN free trade area into the ASEAN Economic Community (AEC) in 2015. A more ambitious ASEAN plan to forge the trans-regional integration

architecture of RCEP is under negotiation. The ASEAN has been criticized for talking too much but doing less, but her institutionalization has expanded rapidly in the first decade of the 21st century. However, the ASEAN community's limited economic and military capability is still incapable of challenging the United States dominant status in the Asia Pacific region.

Multinational institutions were never the United States' preference while no powerful competitor challenged her interests in international institutions in the Asia Pacific region. Since the end of the Second World War, the United States has enjoyed predominance over political, economic and military arenas worldwide. The institutional activity embodied in the development of Asia-Pacific Economic Cooperation (APEC) reflected her economic and strategic interests. Katzenstein argues that regionalism in both Europe and Asia is shaped by US-led processes of globalization and internationalization, and that Japan is the regional "core state" serving the United States' interests (Katzenstein 2005, 179-207). President Obama of the United States turned to the multilateral approach to create a free trade institution with which it can exercise exclusive influence in the Asia Pacific region (Hamanaka 2014). But in 2017, the Trump administration of the United States decided to withdraw the United States as a signatory to the Trans-Pacific Partnership (TPP), to permanently withdraw the United States from TPP negotiations, and to begin pursuing new bilateral trade negotiations (White House 2017), while a merging and powerful People's Republic of China decided to launch an ambitious strategy to construct trans-regional institutions under the OBOR initiative.

III. OBOR with China-central Economic Dependency

The OBOR initiative proposed by Xi Jinping in 2013 is part of China's Grand Strategy which might change the current global power redistribution. During his visit to Kazakhstan in September 2013, Chinese president Xi Jinping proposed establishing a "Silk Road Economic Belt" that would open a strategic regional thoroughfare from the Pacific Ocean to the Baltic Sea, and gradually move toward setting up a transportation network that connects Eastern, Western and Southern Asia (Xinhua 2013). Furthermore, in October 2013, Xi announced in the Indonesian parliament that China will strengthen its maritime cooperation with ASEAN countries in a joint effort to build the Maritime Silk Road of the 21st century (Ministry of Foreign Affairs 2013a). Since 2013, Beijing has put great effort into realizing the construction of the "Silk Road Economic Belt" with the Central Asian states and the "Maritime Silk Road", to rebuild prosperity in coastal states along the South China Sea,

Indian Ocean and Red Sea. These initiatives call for a Sino-centered integration of concerning regions into a comprehensive economic community through infrastructure building, cultural dialogues and trade.

Central coordination was carried out in 2013 for the realization of China's grand strategy of OBOR. In 2013, Xi instructed that the PRC should make overall plans, including economic, trade, scientific and technological, financial and other resources to make good use of her comparative advantages to pinpoint strategic integration points, deepen mutually beneficial cooperation with her neighboring countries, and actively participate in regional economic cooperation (Ministry of Foreign Affairs 2013b). China set up a high level "One Belt and One Road Construction Working Leader Group" (一帶一路建設工作領導小組) to coordinate the huge task of realizing the OBOR initiative (新華網 2015). Local provincial governments, the National Development and Reform Commission, the Ministry of Foreign Affairs, the Ministry of Commerce, and the Ministry of Finance are the major authorities charged with realizing the OBOR initiative (National Development and Reform Commission 2015).

The main purpose of OBOR was to construct a Sino-centered economic dependency network. Xi argued that in order to realize OBOR, China should speed up the implementation of the free trade zone strategy, expand cooperation in trade and investment, continuously deepen regional financial cooperation with an active preparation for the establishment of the Asian Infrastructure Investment Bank (AIIB), and improve the regional financial safety net (Ministry of Foreign Affairs 2013b). On the 28th of March, 2015, Beijing authorities announced an ambitious Action Plan for the realization of the OBOR project, setting out a vision in which Chinese-led policy coordination, infrastructure construction plan connectivity, trade and investment barriers reduction, and people to people friendships would construct a Chinese leading sphere of economic power composed of Asia, Africa and Europe (National Development and Reform Commission 2015). Geographically, the Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia, and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21st-Century Maritime Silk Road is designed to go from China's coast to Europe through the South China Sea and the Indian Ocean in one route, and from China's coast through the South China Sea to the South Pacific in the other route (National Development and Reform Commission 2015). On land, the Eurasian Land Bridge, China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula economic corridors are the main focus in implementing the rebirth of the Silk Road in the 21st century. At sea, the establishment of smooth, secure and efficient transportation routes connecting major sea ports along the OBOR states is

emphasized (National Development and Reform Commission 2015). Politically, China looks forward to involved states improving the region's infrastructure, putting in place a secure and efficient network of land, sea and air passages, and raising their connectivity to a higher level, thereby enhancing trade and investment by establishing a network of free trade areas that meet high standards, maintain closer economic ties and deepen political trust (National Development and Reform Commission 2015).

Transnational infrastructure linkage is one of OBOR's priority items. Chinese authorities urged that countries included in the OBOR project should improve the connectivity of their infrastructure construction plans and technical standard systems, jointly push forward the construction of international trunk passageways, and form an infrastructure network connecting all sub-regions in Asia, and step by step between Asia, Europe and Africa (National Development and Reform Commission 2015). For the realization of international transport facilitation, China demanded that OBOR increase connectivity of customs clearance, reloading and multimodal transport between countries, and the gradual formulation of compatible and standard transport rules. With the dynamic push for sea port infrastructure construction, OBOR counts on building smooth land-water transportation channels, and increasing sea routes and the number of voyages (National Development and Reform Commission 2015). A trans-continental web of land, maritime and air transportation under PRC coordination of infrastructure construction is part of Beijing's plan.

IV. From Institutional Follower to Institutional Builder

China was an international rule-follower before OBOR was initiated in 2013. China's accession to international institutions is a window to evaluate whether China is a revisionist state or a status quo power in the world (Johnston 2003). Somehow, China's low profile in the World Trade Organization (WTO), in contrast to her increasing power position in the international system, demonstrated that China was far from a revisionist state.

Notwithstanding, the hegemonic theory predicted that international conflict between the status quo hegemon and her challenger is inevitable because a rising power will eventually become unsatisfied with the international institutions which have functioned in correlation with the interests of the status quo hegemon (Gilpin 1981). Although there are still doubts about the extent to which China's increasing participation in international institutions could result in Chinese adherence to international normative standards (Potter 2007), China's access to important international institutions in the area of trade, human rights and nuclear proliferation demonstrate that China has accepted, rather than rejected, the status quo

international norms. The extensive adoption by China of the norms and rules of the international economic institutions would seem to indicate the success of the USA engagement (Pearson 1999, 223).

Differing from the hegemonic theory arguments, China looks forward to becoming a rule-constructer in the international institutions, rather than a rule-breaker. Sabotaging the international rules might be risky because a total rejection of the status quo international rules might trigger a hegemonic war for which China is unprepared. Alternately, construction of new rules for the complementary international institutions is a safe approach for China to enhance her power while the status quo institutional mechanism remains inviolate.

First, China's capabilities to carry out international institutional reforms are growing legitimately. China's material power position in terms of trade and finance justified China's right to call for adjusting the status quo international institutions. While China keeps repeating that she is playing a cooperative role in the contemporary international order, she never forgets to add that the status quo order is not just for the benefit of developed countries. Both the USA and the UK are agreed that China's voting share in the International Monetary Fund (IMF) should be increased. The USA committed to China to implement the 2010 IMF quota and governance reforms as soon as possible, and reaffirmed that the distribution of quotas should continue to shift toward dynamic emerging markets and developing countries to better reflect the relative weight of IMF members in the world economy (Ministry of Foreign Affairs 2015c). The UK supports the inclusion of the Ren Min Bi (RMB) into the Special Drawing Right (SDR) basket subject to meeting existing criteria in the IMF's upcoming SDR review. The UK urged IMF members who have yet to ratify the 2010 quota and governance reforms to do so without delay in order to further enhance the voice of emerging markets and developing countries (Foreign and Commonwealth Office 2015). The status quo Powers have no excuse to block China from the decision-making circle of the core international institutions.

Additionally, China is more confident about becoming an international agenda-setter and promoting her interests. Convinced that the PRC's strategic environment has changed dramatically, Xi insisted that China needed to be more active in devising diplomatic strategies and undertaking diplomatic work (Ministry of Foreign Affairs 2013b). Since 2013, numerous measures were undertaken to strengthen China's leadership worldwide in terms of regional integration, financial cooperation and bilateral cooperation. At the 2014 APEC summit meeting, the PRC recommended establishing the FTAAP; the "*Beijing Roadmap for APEC's Contribution to the Realization of the FTAAP*" was adopted on this occasion (APEC 2014). Apart from the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), which were two compatible regional free trade mechanisms under negotiation in 2014, China put forward the agenda in advance for

constructing an inclusive regional free trade regime.

Thirdly, China finds that the non-discrimination principle of the status quo international trade institutions supports the Big Powers' interests; China sees itself as already being in their rank. Growing material power fuels Chinese expectation of being an active player in the world system. Rapid economic growth seems to have emboldened China's ambition for "doing something more" concerning China's future position in the world by getting rid of the unjust hegemonic rules. The magnitude of China's internal market and financial resources has a fascinating compulsory effect on states that greedily look to expand their trade and commercial relationships with China. Even the European states cannot reject the charm offensive of China's investment in their countries. The shifting of global power is in China's favor. Second to the USA, China enjoys a relative power preponderancy over most members of the global society, which strengthens China's negotiation power.

Besides, China has more confidence to identify herself as a leader of the developing states in the global society. Assuming that China is guarding the developing countries' rights and interests, Xi announced in the United Nations that China will continue to stand together with other developing countries and firmly support the greater representation and stronger voice of developing countries, especially African countries, in the international governance system (Ministry of Foreign Affairs 2015e). China's commitment to the developing states is practical. China will establish a 10-year, US\$1 billion China-UN peace and development fund to support the UN's work, advance multilateral cooperation and contribute more to world peace and development. Furthermore, by joining the new UN Peacekeeping Capability Readiness System, China will set up a permanent peacekeeping police squad and build a peacekeeping standby force of 8,000 troops, accompanied by the provision of US\$100 million of free military assistance to the African Union over the next five years to support the establishment of the African Standby Force and the African Capacity for Immediate Response to Crisis (Ministry of Foreign Affairs 2015e).

Finally, the existence of international institutions primarily forbids the escalation of conflicts; it is useful for a rising power to expand its international influence in the new international institutions. A rising power like China could use the international institutions to exercise her soft power in order to complement her hard power deficiency. China has learned that norms embedded in the international institutions are means for the hegemonic rule of the world. The power imbalance between the powerful states and the weaker ones reflects the asymmetry of the normative constraints on their behavior. China is quite aware that she might promote her interests in the building of new international institutions, which China claims are much more complementary, rather than subvert the status quo international institutions.

V. Institutional Competition in the Time of Power Redistribution

At present, military confrontation against the USA would be quite unwise and irrational as China's military capability is far behind that of the USA. Somehow, leadership competition in terms of political influence, regional trade and building financial institutions constitutes the dramatic confrontation between the USA and China. The OBOR initiative is part of the grand strategy to facilitate China's power supremacy over the USA in the global context.

A. Expansion of China's Political influence

OBOR has boosted China's political influence worldwide. Promoting OBOR is a good reason for China to construct a closer relationship with states encompassed within the OBOR trajectory. Chinese president Xi Jinping has visited the concerned states worldwide to promote his ambitious OBOR project. Xi's diplomatic visits to Russia, Eastern European states, Central Asia and even Western European states marked his success in promoting the OBOR initiative.

On July 9, 2015, President Xi Jinping held the second meeting of heads of state of China, Russia and Mongolia in Ufa, Russia, with Russian President Vladimir Putin and President Tsakhiagiin Elbegdorj of Mongolia. On the occasion of the China-Russia-Mongolia trilateral cooperation dialogues, the three states approved the "Mid-term Roadmap for Development of Trilateral Cooperation" and relevant departments of the three countries signed the 'Memorandum of Understanding on Formulating Guidelines for Constructing a China-Russia-Mongolia Economic Corridor', the 'Framework Agreement on Cooperation in Creating Favorable Conditions to Facilitate Trade Development among China, Russia and Mongolia', and the 'Framework Agreement on Cooperation in the Development of Ports of Entry among China, Russia and Mongolia' (Ministry of Foreign Affairs 2015b). At the 15th Meeting of the Council of the Heads of State of the Member States of the Shanghai Cooperation Organization (SCO), Xi Jinping highlighted that the Silk Road Economic Belt initiative and the development plans of member states will complement each other; and he vowed that China would work with relevant countries to form a synergy between this initiative and the Eurasian Economic Union in order to advance the balanced development of Eurasia (Ministry of Foreign Affairs 2015a). In May 2015, Xi toured Kazakhstan, Russia and Belarus, which gave him an opportunity to persuade his counterparts to join the "Silk Road Economic Belt" initiative. Early in September 2014, Xi Jinping had already visited

Turkmenistan, Kazakhstan, Uzbekistan and Kyrgyzstan, the major players in the Silk Road Economic Belt initiative in Central Asia. The integrality of the SCO has been enhanced and has become some sort of political institution endorsing China's political presence in Eurasia.

Russia's political support for China's OBOR project consolidated the quasi Sino-Russian alliance in a hostile international environment. While attending the celebrations marking the 70th anniversary of the Russian victory in the Second World War, Xi and Putin agreed to sign a joint statement on cooperation concerning the construction of the joint Eurasian Economic Union (EAEU) and the Silk Road project. Both leaders pledged to integrate China's Silk Road Economic Belt initiative with Russia's EAEU framework (Xinhua 2015). China has obtained Russia's acknowledgment of a joint effort regarding Central Asia, a traditional sphere of Russian influence.

Using existing regional organizations such as the Shanghai Cooperation Organization (SCO) for Central Asia; ASEAN for Southeast Asia; the China-Arab States Cooperation Forum (CASCF) for the Middle East; the Forum on China-African Cooperation (FOCAC) for Africa and, to a much lesser extent, the BRICS (Brazil, Russia, India, China, and South Africa) format, China mobilized political support with multiple levels scale for OBOR's success (European Parliament Think Tank 2016, 5). However, the SOC and the ASEAN had taken a prudent attitude towards the launch of China's OBOR initiative. On the 20th of February 2017, The Agreement between the Governments of the SCO Member States on Creation of Favorable Conditions for International Road Transport came into effect. Rashid Alimov, SCO's Secretary-General, commented that the Agreement is SCO's practical contribution to the development and implementation of the idea to build a modern Silk Road, and opened a new phase of mutually advantageous trade and economic cooperation between the SCO member states (SCO 2017). The SCO has never publically supported the OBOR. The marginalization of the ASEAN centrality is ASEAN's main concern. In 2016, ASEAN announced that it has noted China's initiatives such as the "Belt and Road" (ASEAN 2016). In the 'Plan of Action to Implement the Joint Declaration on ASEAN-China Strategic Partnership for Peace and Prosperity (2016~2020)', the two sides agreed faintly to "continue to promote dialogue and exchanges in maritime cooperation through relevant platforms on the basis of the principles of inclusiveness and mutual benefit. This includes further exploring initiatives such as China's proposed Maritime Silk Road of the 21st Century" (ASEAN 2015). The ASEAN has not yet endorsed the OBOR, but neither the ASEAN nor the SCO showed any significant objection to the OBOR initiative.

The OBOR initiative has somehow upset the solidarity of the USA alliance system. The UK's decision to join the camp dedicated to establishing the AIIB with China in 2015 saw the shaking of the USA's political leadership. At first, under US diplomatic pressure, China's AIIB project had only grouped 21 countries by the time the memorandum on

establishing the AIIB was signed on the 24th of October 2014. However, disregarding the USA's objection, on the 12th of March, 2015, the UK declared that she had decided to join the AIIB as a founding member, provoking a landslide-like wave of adherence to the AIIB's founding members club by Germany, France, Italy, Luxembourg, Denmark and South Korea, most of which are US allies. Eventually, 57 states negotiated the AIIB Articles of Agreement. The European adherence to the AIIB was a big blow to the USA in terms of her political leadership in global financial institutions.

B. China's Idea for a New Regional Security Order

While the USA has tried to restore her leadership in the Asia-Pacific region, the OBOR initiative is a strategic response to that rebalancing strategy. The USA's refusal to endorse the AIIB has demonstrated that the strategic distrust between the two great powers is apparent and difficult to remove. China has to assure the USA that the OBOR initiative and the construction of the AIIB and other proposals by China are open, transparent and inclusive, and welcome the active participation of related parties, including the USA (Ministry of Foreign Affairs 2015d).

Yet, with the affirmation that China seeks no hegemony in terms of global power distribution, she takes an exclusive attitude to the Asian security structure. China's President Xi Jinping said in 2014 that it was necessary to advocate common, comprehensive, cooperative and sustainable security in Asia, and to establish new regional security cooperation architecture (Ministry of Foreign Affairs 2014a), a regional security mechanism without the USA's presence.

Under the new security structure of the Asian region, the exclusion of the American influence is apparent. Xi stated that in the new Asian security arrangement, the people of Asia will run the affairs of Asia, solve the problems of Asia and uphold the security of Asia because the Asians have the capability and wisdom to achieve regional peace and stability (Ministry of Foreign Affairs 2014a). He added that equality is the essential part of the new regional security institution. Therefore, he pledged that no country should attempt to dominate regional security affairs or infringe upon the legitimate rights and interests of other countries (Ministry of Foreign Affairs 2014a).

Intervention by regional outsiders is not welcome in Xi's regional security architecture. Xi rejected the idea of maintaining regional stability via military, political and cultural intervention. Xi Jinping addressed the new Asian security concept at the event of Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, a conference where the majority of those attending were China's Middle Asia neighbor states. At another occasion, celebrating the 60th Anniversary of the initiation of the Five Principles

of Peaceful Coexistence, Xi, referring to adherence to the group of developing states, argued that injustice and inequality are still pronounced problems in international society (Ministry of Foreign Affairs 2014b). China criticized that flexing military muscles only reveals the lack of moral ground or vision rather than reflecting one's strength, and China urged that the world should work for "a new architecture of Asia-Pacific security cooperation that is open, transparent and equality-based, one which brings all countries together in a common endeavor to maintain peace and security in both our region and the world" (Ministry of Foreign Affairs 2014b). Ironically, China rejected the idea of great power domination, a role she evidently wishes to play, by arguing that the world should jointly promote greater democracy in international relations. Xi said that the destiny of the world must be determined by all countries, and world affairs should be managed through consultation by governments and people in all countries. He pleaded that the notion of dominating international affairs belongs to a different age, and that such an attempt is doomed to failure (Ministry of Foreign Affairs 2014b). He claimed that regional states should abide by the basic norms governing international relations, such as respecting sovereignty, independence and territorial integrity, non-interference in internal affairs, respecting the social systems and development paths chosen by countries on their own, and fully respecting and accommodating the legitimate security concerns of all parties (Ministry of Foreign Affairs 2014a). He claimed finally that China's peaceful development begins in Asia, finds its support in Asia and delivers tangible benefits to Asia (Ministry of Foreign Affairs 2014a). In China's perspective, the new regional order should be constructed, and only by the Asian states rather than foreign outsiders. Of course, an exclusive regional security order is in China's interests since no Asian states could counterbalance China's political influence without foreign assistance.

C. China: Lessening Trade Rule-Making

Regional institutions for trade and commercial exchanges are another theater in which institutional leadership competition between the USA and China takes place. On October 5, 2015, after negotiations between the USA, Japan and ten other countries for more than three years, the Trans-Pacific Partnership (TPP), a mega Free Trade Agreement (FTA) which represents 40% of the global GDP share, was concluded.

The TPP is a strategic tool for the USA to reconsolidate her leadership and reframe the Asia-Pacific trans-region under a new set of rules; the old one relatively promoted the rise of China. The USA is anxious because she saw that the status quo economic and trade institutions facilitate the rise of her competitor rather than maintain her power preponderance worldwide, according to the hegemonic theory. The USA estimated that the status quo has

put US workers and businesses at a disadvantage, with higher costs for American goods, more barriers to trade, and lower standards for workers and the environment abroad than the USA has at home (USTR 2015). The United States Trade Representative (USTR) argued that since World War II, U.S. leadership in the global trading system has been a key pillar of her global leadership overall; however, this rules-based system is eroded by other less open models. To meet this challenge, the USA must play a leadership role in writing rules that strengthen her economy and promote a fair global economic system (USTR 2015). The TPP is the remedy for the USA to readjust the contemporary trade rules which promote the power build-up of the hegemonic challenger.

The TPP is also a platform for US engagement in the Asia-Pacific region. As a part of the USA rebalancing strategy, the TPP aims to solidify relationships with her allies and to firmly establish the USA as a leader in the Pacific arena. The USA did not negotiate with her trade partners in the TPP formation process, but rather rigidly imposed its own FTA template without incorporating the preferences of its counterparts (Solis 2015). To help revitalize the global economic architecture and strengthen America's influence at the center of the Asia-Pacific region, the TPP advances three strategic objectives:

1. Establishing rules, such as strong labor and environmental standards, to ensure that tomorrow's global trading system is consistent with American interests and values;
2. Strengthening relationships with US allies and partners to protect their shared global system, and to lay the foundation for greater cooperation in other areas;
3. Promoting inclusive development, creating opportunities for people around the world, and ensuring that the benefits of growth are both greater and more widely shared (USTR 2015).

Notwithstanding, the TPP is a concrete manifestation of US rebalancing toward Asia. Furthermore, the TPP is a powerful signal of US commitment to the region, and demonstrates that she remains a leading force for prosperity and security in the region.

Astonishingly, United States President Donald Trump, who had criticized that the TPP was an unfair agreement against American workers' interest, decided to withdraw from the TTP and TTP negotiations permanently on January 23, 2017 (White House 2017), a decision marking the United States' abandonment of seeking to establish a multilateral trading institution in the Asia Pacific. Although China's OBOR has no clear institutional arrangements concerning the FTA and regional economic integration, China is in a favorable position in the regional trade institutional competition.

China has three ways to manage the TPP agreement without the USA. Adherence to the No-USA-Dominated TPP is the first approach, which might bring China into an influential position to forge an Asia-Pacific transregional economic institution. Pushing for the realization of the RCEP constitutes the second road. Finally, establishment of the FTAAP on

the RCEP architecture is foreseen.

Adherence to a transregional trade regime like the TPP without the USA somehow guarantees China's economic development, and also has China obtained a leading position for the promotion of global free trade, a legitimate position that the USA has enjoyed since the end of the Cold War. China's double digit economic growth rate in the last decade proves that China's accession into the global free trade regime is a successful economic tactic as well as political strategy. While China's participation in TPP may accelerate China's domestic economic reforms, it is a symbol that China has replaced the USA in providing global public goods and maintaining the free trade regime. China seemed very pleased to grasp the leadership vacuum that President Trump has offered to China. Representatives from the TPP signature states, except the USA, gathered on the 14th of March, 2017 in Chile and China was invited to participate in this meeting to explore alternatives after the USA abandoned the transregional FTA agreement. But the cost of accepting high trade standards that the TPP had concluded stops China from moving ahead.

Staying outside the TPP but speeding up the RCEP negotiations is another choice. OBOR and RCEP are relative defensive measures to counterbalance the American TPP initiative. China has partially embraced the RCEP concept as a defensive measure against the TPP, and hopes that the lure of the size and dynamism of the Chinese economy will convince the region to opt for a more 'Asianist' grouping (Wesley 2015, 488). Yet the 'advantage' of the RCEP in contrast to the TPP is the relatively soft regulations in terms of trade tariff reduction and the limited scope. RCEP's key focus is on trade in goods, and only six non-tariff issues: trade in services, investment, economic and technical cooperation, intellectual property, competition, dispute settlement, and other areas are covered in the RCEP mechanism (ASEAN 2013). Although some states view China's position in the RCEP negotiations as dominant, RCEP founding members have agreed that RCEP will affirm the principle of 'ASEAN centrality' (ASEAN 2013). China's ability to forge RCEP may not be exaggerated while the ASEAN has constantly emphasized the importance of 'ASEAN centrality' in the negotiation process of the RCEP construction.

However, the American exit from the TPP, in contrast, makes the RCEP more attractive than before in terms of economic and strategic considerations. RCEP is the only multilateral economic integration option for the Asia Pacific states to facilitate economic growth in a more open market. The TPP pledged to construct a free market of high trade standards, but the RECP is less ambitious. With the death of the TPP, Chinese foreign minister Wang Yi said in 2017 that regional cooperation should give more consideration to the demands of economic development rather than intentionally injecting political factors. He argued that regional cooperation should take full account of the comfort zone of all parties and accommodate their different development levels, rather than having other countries accept

the standards made by one or a few countries (Ministry of Foreign Affairs 2017b). States in the Asia Pacific were forced to turn their attentions to the RCEP, upon the basis that China tries to develop a free trade market within the scope of Asia Pacific.

Finally, in the long run, forging a new structure of the FTAAP might be a third choice for China. A spokesman of the PRC's ministry of foreign affairs acknowledged that China was ready to enhance communication and coordination with Chile and other relevant countries to build FTAAP, create an open Asia-Pacific economy and inject new impetus to economic growth in the region and beyond (Ministry of Foreign Affairs 2017a). As the TPP has already lost its credit, third parties are under great pressure to join the RCEP. A less liberal RCEP is less competitive than the TPP, and China will eventually be the sole leader in constructing the FTAAP.

D. Supplementary Mechanism for Regional Financial Institutions

As important as the OBOR project is, the construction of the AIIB in 2015 marked China's offense in seeking to reshape the global financial order. It also reflects the pressure exerted by China for financial institutions to make adjustments.

Regional development projects have been sponsored for a long time with the help of the Asian Development Bank (ADB), a regional financial institution upon which Japan has exerted great influence. The AIIB is viewed as a rival to the IMF, the World Bank (WB) and the ADB, since the AIIB is independent from the Bretton Woods system, while the others are dominated by either the USA or Japan.

A gesture to provide regional public goods was the first reason for China to establish the AIIB. China claimed that the existing regional financial institutions can hardly provide the needed financial resources to meet regional states' development demands. Asian countries can obtain only a fraction of the funds they need from the WB, the IMF and the ADB. Speaking as the representative for regional developing states' interests, China said that these countries therefore hope for a new platform to gain the wherewithal necessary for infrastructure construction. China saw that the establishment of the AIIB could provide the massive funds needed for infrastructure construction in Asia and hence for the region's economic and social development (Lin 2015, 17).

The AIIB provides a framework for new multilateral institution-building. It also generates a possible role for the BRICS New Development Bank (NDB). In 2017, the AIIB and NDB signed a Memorandum of Understanding enabling these two Banks to partner on co-financing opportunities, facilitate knowledge sharing and provide mutual training and development of their staff (AIIB 2017a). Besides, AIIB and IFC, members of the World Bank Group, have signed an International Swaps and Derivatives Association (ISDA)

Master Agreement to enhance their capacity to make investments in emerging-market projects, especially in Asia's infrastructure sector (AIIB 2017d).

Since the OBOR initiative can hardly be realized without abundant financial resources, a regional financial institution over which China possesses great influence regarding its decision-making process, is much more helpful than the existing WB, IMF and ADB institutions under American and Japanese control. China has injected considerable capital into OBOR from various sources. There are US\$40 billion from the New Silk Road Fund, US\$20 billion from China-ASEAN Investment Cooperation Fund, and US\$3 billion from the Investment Cooperation Fund between China and the CEE. China's state-owned enterprises, Export-Import Bank of China (EXIM), China Development Bank (CDB), and the Agricultural Development Bank of China (ADBC) are expected to have major stakes in OBOR's activities. The massive export of China's impressive financial firepower will contribute largely to further the internationalization of its currency, the renminbi (RMB), and thus reinforce China's role in global economic governance (European Parliament Research Service 2016: 6).

Finally, the establishment of the AIIB, the Silk Road Fund and the New Development Bank BRICS are set to initiate further modifications concerning the existing financial institutions' decision-making processes. These new multilateral development banking systems are designed as an alternative to the USA-dominated WB and IMF (NDB, 2015), which provide an external stimulus for reforms to the existing international financial regime. China criticized that the IMF and WB have never reflected on the appropriateness of their policy prescriptions for developing countries; nor have they considered taking into consideration the practical needs of the developing world; instead, they adopted a decidedly harsh and dogmatic approach (Lin 2015, 18). On March 23, 2017, the AIIB announced that its Board of Governors had adopted resolutions approving 13 applicants to join the Bank, bringing the Bank's total approved membership to 70 (AIIB 2017c). While the Japanese dominated ADB has only 67 members, the scope of the AIIB has surpassed that of the ADB. The AIIB is part of the external pressures triggering the internal reforms among international financial institutions.

The successful establishment of the AIIB has generated a series of institutional confrontations related to the guiding principles on which the AIIB is based. The transparency of the AIIB decision-making process is the major concern of the western states. The USA government's concern is that the AIIB will not meet the governance standards like the IMF and ADB do, especially on anti-corruption and environmental grounds. Secretary of State John Kerry announced in 2015 that the USA welcomes new multilateral institutions, including the AIIB, provided that they share the international community's strong commitment to high-quality standards, including genuine multilateral decision making, ever-

improving lending requirements, and environmental and social safeguards, as these are the high standards that apply to global financial institutions (Department of State 2015). The USA tries to frame the AIIB under the principles that existing international financial institutions have adopted.

Regarding which principles the AIIB applies, the UK decision to join the AIIB might play a critical role in forcing China to adopt the international principles instead of much looser standards. Six rounds of the Chief Negotiators' Meeting for the AIIB establishment were held, in which western interests preferred principles to be put into the Articles of Agreement of the AIIB, with its constitutional document open to contracting parties for signature since June 29, 2015 (AIIB 2015a). Concerning the decision-making issues, the negotiation representatives noted that a higher majority (three-quarters) of total voting power would be required for decisions by the AIIB Board of Directors to approve major operational and financial policies, delegation of authority to the President under Bank policies, and for delegating the Board's authority to make decisions on operations. The representatives also agreed that the oversight mechanism to be established by the AIIB Board of Directors under Article 26 (iv) would be designed in line with the principles of transparency, openness, independence and accountability, and would address such areas as audits, evaluation, fraud and corruption, project complaints and staff grievances, and reflect the Bank's character as a multilateral financial institution focused on infrastructure development (AIIB 2015b). The western principles occupy a guiding position in a likely Chinese dominated international organization. The fact is that China had to make concessions to western demands for adopting the so-called international standards as the AIIB's guiding principles.

The importance of the AIIB accepting the generally accepted international principles are highlighted in the political statements issued jointly by the PRC, the USA and the UK, respectively, in October 2015, when Chinese President Xi Jinping visited these two important states. The Chinese government acknowledged that the OBOR initiative, the construction of the AIIB and other measures proposed by China are open, transparent and inclusive, and welcome the active participation of related parties, including the USA (Ministry of Foreign Affairs 2015d). In London, the PRC and UK declared in their joint statement that they looked forward to the AIIB's early operation and integration into the global financial system as a "lean, clean and green" institution that addresses Asia's infrastructure needs (Foreign and Commonwealth Office 2015).

Table1: AIIB's Approved Projects List

	State	Project	Loans (US dollar)	Loan Partner	Approve Date
1	Bangladesh	Natural Gas Infrastructure and Efficiency Improvement Project	60 million	ADB (167 million)	March 2017
2	Indonesia	Dam Operational Improvement and Safety Project Phase II	125 million	IBRD (125 million)	March 2017
3	Azerbaijan	Trans Anatolian Natural Gas Pipeline Project	600 million	World Bank (800 million); EBRD and EIB (2100 million); Other Commercial Borrowings (3000 million)	March 2017
4	Oman	Duqm Port Commercial Terminal and Operational Zone Development Project	265 million	Special Economic Zone Authority of Duqm (88.33 million)	December 8, 2016
5	Oman	Railway System Preparation Project	36 million	Oman Global Logistics Group (24 million)	December 8, 2016
6	Myanmar	Myingyan Power Plant Project	20 million	none	September 27, 2016
7	Pakistan	Tarbela 5 Hydropower Extension Project	300 million	World Bank (390 million)	September 27, 2016
8	Indonesia	National Slum Upgrading Project	216.5 million	World Bank (216.50 million)	June 24, 2016
9	Pakistan	National Motorway M-4 Project	100 million	ADB (100 million)	June 24, 2016.
10	Bangladesh	Distribution System Upgrade and Expansion Project	165 million	none	June 24, 2016.
11	Tajikistan	Dushanbe-Uzbekistan Border Road Improvement Project	27.5 million	EBRD (62.5 million)	June 24, 2016
Total			1.915 billion		

ADB: Asian Development Bank; EIB: European Investment Bank; IBRD: International Bank for Reconstruction and Development; EBRD: European Bank for Reconstruction and Development. IBRD is a branch of World Bank Group.

Source: AIIB 2017b.

The financial influence of the AIIB is growing. One year after its establishment, AIIB has approved loans of nearly 2 billion US dollars to seven states of Southeast Asia, Central Asia, and Middle East; all are targeted states of the OBOR (AIIB 2017b). For the moment, AIIB's lending capability is far less than ADB which in 2016 had approved 76 projects totaling 31.70 billion US dollars (ADB 2017, 1), but its potential is unlimited with the advantage of more AIIB members than the ADB has.

Responding to China's AIIB proposal, Japan launched a campaign against China's financial influence in the Asian region. Japanese prime minister Shinzo Abe on May 21, 2015 unveiled a plan to expand Japan's financing for infrastructure projects in Asia by 30%,

offering roughly US\$110 billion over the next five years to fund “high-quality infrastructure investments” in Asia through various channels, including expanding the Asian Development Bank’s lending capacity and yen loans from the Japanese government (Japanese Premier Minister Office 2015). OBOR has stimulated financial competition in Asia.

VI. Conclusion

The OBOR initiative is part of China’s grand strategy to evade the possible tragedy of hegemonic war in which a rising power fails to reach the dominant position. Historical lessons that other merging Powers had experienced teach China that a more prudent approach to cautiously change the context of the international institutions might peacefully overturn the soft power foundation upon which the status quo hegemony is built.

Leading the international institutions is vital for China’s rise, as it was for the USA. They constitute the global arena in which China’s material power resources doubtlessly provide her with the sufficient stakes to persuade, attract, manipulate and punish others who resist China’s political influence. New institutions under China’s guidance furthermore contribute legitimacy for China to lead the regional and/or global society. With the endorsement of global multilateral institutions, China could govern the world at the lowest costs via benevolent diplomacy instead of brutal coercive means. The international institutions are finally a perfect mechanism for discharging China’s governing burden to member states that have enjoyed the global public goods generated by the international institutions.

The OBOR is the competitor for the USA dominated hub-and-spoke web of transregional institutional arrangement in the Asia Pacific. Alone with the geopolitical consideration of American rebalancing strategy, the Obama administration of the United States had managed to conclude the TPP negotiations to establish a USA-centered multilateral economic integration institution before 2015. All of the relevant efforts were aimed to strengthen American strategic and geo-economic leadership in terms of China’s charm offensive in the Asia Pacific. Nevertheless, the Trump administration, successor of the Barack Obama regime, shifts the USA’s leading privilege to build a trans-regional free trade institution. China’s OBOR instead is the sole contributor of public-goods in terms of transregional infrastructure connectivity, FTAAP free trade openness, and the multilateral fiscal institution of the AIIB.

Building international institutions is a genuine new task that poses great challenges to China. Before the 19th century, the East Asian tribute system under China’s dominance was already an old institutional model that China could hardly rely on in the contemporary era.

Besides, the USA is reluctant to transfer her hegemony; therefore abundant resistance from the USA and her partners is a reasonable expectation. The subordinated states under American hegemonic governance might choose to counterbalance China's intervention in regional institutions for their own sake, fearing that their interests would be ignored if China dominates the global institutional distribution of interests.

Notwithstanding, the launch of China's OBOR initiative, though largely putting the accent on economic and financial maneuvers, substantially intensifies global leadership competition in a conceptual sense. The international institutions comprise a set of principles, norms, rules and decision-making arrangements. The rebuilding of the transregional institutions definitely touches the concerned principles, norms, rules and decision-making arrangements that reflect the core elements of the status quo hegemony. China's push for the OBOR initiative has triggered soft leadership competition in terms of the international institutional arrangements. The OBOR initiative has impacts which entangle the global institutional leadership.

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全球領導轉移的前奏： 中國大陸「一帶一路」倡議與 亞太跨區域制度的重構

陳 欣 之

(國立成功大學政治學系教授兼主任)

摘 要

中國大陸於 2013 年提出的「一帶一路」倡議，顯明中國大陸重塑區域制度的利益，將可能對全球權力分配產生重大衝擊。本文強調制度重塑過程與全球權力競爭的密切關連性，將首先簡述國際制度創建與霸權領導地位的關係，其次介紹中國大陸的一帶一路倡議背景，第三部分將處理中國大陸在全球權力重組中的角色變化，第四部分說明美國與中國大陸的制度競爭。本篇論文最後總結，中國大陸的一帶一路倡議，已觸發涉及全球制度領導權的軟性霸權競逐。

關鍵詞：一帶一路、權力轉移、中共外交政策、區域制度

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