China’s Contemporary Grand Strategy (and the AIIB)
Alexandra Doga
The Rise of China

- The current world order is increasingly subject to challenges from new emerging powers; the rise of China being the most important challenge, as reflected by its political, diplomatic and economic weight.
- China’s rise will have profound consequences for the international system.
- China is not explicitly seeking to overturn the world order, however it has shown an interest in shaping aspects of its regional environment.
The Main Objectives of China’s Grand Strategy

The four main objectives of PRC’s grand strategy have historically been:
- national security,
- economic development,
- domestic stability, and
- acquiring international influence.

According to Xi Jinping’s, the key objectives of China include:
- revising relations with great powers,
- consolidating China’s influence regionally,
- leveraging developing countries to promote reform in the world order,
- leveraging multilateral, and
- protecting its rights in the maritime and other domains.
The Principles of Xi Jinping’s Vision

Xi Jinping's is based on 4 principles vision:
- equal treatment of countries,
- win-win cooperation and common development,
- common, comprehensive, cooperative and sustainable security, and
- inclusiveness and mutual learning among civilizations.

These principles are an attempt to address fears among the countries of the region about China's rise and to connect their interests with China.

Xi Jinping's vision is focused on Asia; in November 2014, he stated that he no longer has a “China dream”, but an “Asia-Pacific dream”.

The OBOR Initiative is the hallmark of Xi Jinping’s vision. It is mentioned as an example of China’s regional leadership, as a public good China provides to the world, as proof that China is willing to shoulder greater responsibilities.
China's Grand Strategy

- China's grand strategy of the past has been described by analysts by the use of archetypes (balancing, etc.) However, analysts refrain from using an archetype to describe China’s contemporary grand strategy.

- Avery Goldstein in *Rising to the Challenge: China’s Grand Strategy and International Security* argues China’s grand strategy was stabilized after the mid-1990s and refers to *increasing international influence without triggering a counterbalancing reaction.*

- He argues that China’s grand strategy has two key pillars:
  - the establishment of different types of partnerships, aimed at making China indispensable or at least a very important actor, whose interests the great powers cannot ignore, and
  - building trust to reduce the severity of the security dilemma.

- China is indeed accelerating economic growth and military modernization while engaging in diplomacy and joining and creating international institutions.
The Asia Infrastructure Investment Bank (AIIB)

- 57 founding members, including 20 countries outside the region, all five BRICS countries and 14 G-20 members and not including, most notably, the US and Japan.
- The US and Japan have criticized the AIIB for being an institution dominated by China.
- The consideration of national interest trumped many of the concerns on the long-term implications of the AIIB; many countries of the region joined despite being engaged in territorial disputes with China, while many western countries joined despite their preference for the existing IFIs' framework.
- The AIIB is the first international institution in which China is the major stakeholder. It represents a shift from a bilateral to a regional focus, and from participation to norm-setting. It is a manifestation of China’s increasing leverage as regards global governance and a way for China to increase its influence regionally and globally.
- The bank’s establishment reflects China's frustration with the existing IFIs, in which its weight is not proportionate to its global economic standing.
The AIIB Objectives

China's Rationale for establishing the AIIB includes:

- tackling the need for infrastructure in Asia, while creating markets for Chinese products,
- reducing China’s foreign exchange reserves,
- diversifying China’s investment portfolio,
- increasing the region’s “connectivity”,
- making Yuan an international currency (e.g. by setting up special currency funds and issuing yuan-denominated loans), and,
- enhancing China’s regional and global influence, while adding to its image as a responsible power.
Conclusions

- The establishment of the AIIB fits with the current emphasis on the importance of "peripheral diplomacy".
- By establishing the AIIB, China intents to work towards achieving its short-term financial and economic objectives, while in tandem with its long-term grand strategy objectives.
- The AIIB is China’s first experience in norm-setting in global governance and it can help towards increasing its soft power worldwide. It is not surprising that a country with the economic footprint of China would seek to play a larger role internationally.
- Given that it also needs to retain an overwhelming focus on its numerous domestic challenges, China is likely to continue to act in pragmatic way and have a relatively low tolerance for risk.