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**CHINA'S NEW MULTILATERAL INSTITUTIONS:  
A framework and research agenda**

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Abstract

**CHINA'S NEW MULTILATERAL INSTITUTIONS:  
A framework and research agenda**

by Matthew D. Stephen

China has recently taken the lead in fostering several new multilateral initiatives which mirror the policy tasks of existing institutions. This article provides a framework for studying such 'parallel institutions' and sketches an emerging research agenda. First, it provides an empirical overview of China's new institutions. Second, it defines parallel institutions and provides analytical categories for describing types of parallel institutions and integrating them into existing IR theory. This centers on a typology of relationships between parallel institutions and incumbent institutions, which can be reinforcing, complementary, substitutive, or competing. Third, it examines explanations for parallel institution building. Fourth, it considers the implications of parallel institutions in the context of an international power shift.

*Keywords: China, parallel institutions, global governance, regime complexity*

Zusammenfassung

## **Chinas neue multilaterale Institutionen: Ein Theoriemodell und Forschungsprogramm**

von Matthew D. Stephen

In den letzten Jahren hat China die Führungsrolle im Aufbau mehrerer multilateraler Initiativen übernommen, die existierende Institutionen und deren Aufgaben spiegeln. Dieser Beitrag liefert den theoretischen Rahmen zur Untersuchung solcher *Parallelinstitutionen* und entwirft ein entsprechendes Forschungsprogramm. Erstens wird ein empirischer Überblick über Chinas neue Institutionen gegeben. Zweitens werden Parallelinstitutionen definiert und analytische Kategorien bereitgestellt, die eine Beschreibung unterschiedlicher Typen von Parallelinstitutionen und deren Integration in bestehende IB-Theorien ermöglichen. Im Zentrum steht hierbei eine Typologie von Beziehungen zwischen parallelen und bestehenden Institutionen, die verstärkend, komplementär, substitutiv oder konkurrierend sein können. Drittens werden Erklärungsansätze zur Herausbildung von Parallelinstitutionen untersucht. Viertens wird die Bedeutung paralleler Institutionen vor dem Hintergrund internationaler Machtverschiebungen beleuchtet.

*Stichworte: China, Parallelinstitutionen, Global Governance, Regimekomplexität*

## 1. Introduction

In recent years, the Chinese government has engaged in a host of institutional creation efforts. Flagship examples include the Asian Infrastructure Investment Bank (AIIB), the BRICS' New Development Bank (NDB), and negotiations for a Regional Comprehensive Economic Partnership (RCEP). Less prominent initiatives include the Boao Forum for Asia, the Conference on Interaction and Confidence-Building Measures in Asia (CICA), and the Macroeconomic Research Office of the ASEAN Plus Three<sup>1</sup> group of countries (AMRO). For Oliver Stuenkel, “rising powers—led by China—are quietly crafting the initial building blocks of a so-called ‘parallel order’ that will initially complement, and one day possibly challenge, today’s international institutions” (Stuenkel 2016a:10).

In light of China’s growing weight in world politics, Chinese-led multilateralism has been met with some apprehension. The United States’ Obama administration strongly opposed the creation of the AIIB, lobbied its allies to shun the institution, and complained of “constant accommodation” of China (Dyer and Parker 2015). Likewise, long before Donald Trump complained about China’s trade policies, Obama complained that “China wants to write the rules for the world’s fastest-growing region. Why would we let that happen? We should write those rules” (Schlesinger, Obe, and Magnier 2015). Others survey China’s institution-building efforts as a “shadow foreign policy” out to challenge the established international order (Heilmann et al. 2014; Subacchi 2015).

At the same time, the determinants and effects of international institutional proliferation have become a core issue of study in International Relations. Multilateralism and international institutions have proliferated vigorously since 1945, leading to an increasingly institutionalized environment. In this context, fruitful scholarship has emerged on topics such as “regime complexity” (Alter and Meunier 2009a; Drezner 2009; Raustiala and Victor 2004), “institutional proliferation” (Mansfield 1998; Pratt 2017; Raustiala 2013), “fragmentation” (Biermann et al. 2009; International Law Commission 2006), “overlapping institutions” (Busch 2007; Urpelainen and Van de

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<sup>1</sup> ASEAN Plus Three refers to the countries of the Association of Southeast Asian Nations as well as China, Japan, and the Republic of Korea.

Graaf 2014), “institutional balancing” (He 2014; Yuan 2018), and “contested multilateralism” (Morse and Keohane 2014). This research agenda has focused on the reasons that states strategically opt for pursuing new multilateral initiatives where one already exists in a given issue area, and what the consequences are for rule-guided cooperation more broadly.

The purpose of this article is to bring together these policy-oriented and theory-driven research strands to sketch an emerging research agenda on China’s new institutions. Its primary goal is conceptual. It seeks to develop a concept adequate to identify and describe an important empirical phenomenon that currently escapes sustained focus from scholars. Its secondary objective is empirical. It seeks to identify the cases of Chinese parallel institution-building between 1990 and 2016 and to use these examples to formulate generalizable statements that deserve further empirical study. Several insights emerge which have important implications for both empirical studies of Chinese multilateralism, and the theoretical literature on institutional proliferation. Four stand out.

First, existing theoretical literature has tended to focus on the creation of new formal intergovernmental organizations (IGOs). This has tended to overshadow many less formalized multilateral mechanisms by which actors can and do influence existing regimes. The creation of new IGOs should be seen as one end of a continuum of multilateral options by which China and other states may influence existing institutions. Examples include the creation of new informal intergovernmental organizations and clubs (Vabulas and Snidal 2013) and the hosting of new international conferences, forums, and summits. Excluding these alternative forms of multilateralism because they do not reach the level of institutionalization realized by formal IGOs represents a truncation on the dependent variable. Theoretical literature needs to expand its focus from traditional, formal IGOs to take in the full range of parallel institutions.

Second, any attempt to provide generalizable statements about the type, motivations, and effects of China’s new institutions must cope with strong inter-institutional variation. While some of China’s parallel institutions appear largely reinforcing of the institutional status quo, in other areas there are significant points of divergence. Moreover, the dynamism of parallel institutions suggests the relationships can change

over time. This suggests that China's dissatisfaction with the status quo varies according to institutional context, and that parallel institution building is a highly differentiated phenomenon.

Third, parallel institutions should not be seen purely as exit options to incumbent institutions. Rather, the Chinese government continues to pursue its interests in established institutions even while building parallel ones. Parallel institutions strengthen China's hand by legitimating its preferences and improving its bargaining power in established institutions (Chen and Liu 2017). This challenges the view that institutional creation is a 'last resort' strategy that is pursued only when the use of existing ones and forum shopping are exhausted as options (Jupille, Mattli, and Snidal 2013:28). Fourth, the Chinese pursuit of parallel institutions appears to be motivated to a large extent not purely (or even mostly) by efficiency gains but by the legitimacy-enhancing effects that multilateralism can convey. This, at least, is an important issue for future research.

This article proceeds as follows. First, it provides an empirical overview of China's multilateral institutional initiatives between 1990 and 2016. Second, it surveys existing theoretical literature on institutional proliferation and identifies the shortcomings of established concepts to adequately capture the phenomenon of China's new multilateral initiatives. I develop the concept of 'parallel institutions' to describe this phenomenon. Second, building on this concept, the article develops a framework for studying parallel institutions and integrating them into existing IR theory. This centers on a typology of relationships between parallel institutions and incumbent ones. These can be reinforcing, complementary, substitutive, or competing. These types are derived from two dimensions, one relating to institutions' substantive policies and social purposes, and the other relating to their political authority. Different types of parallel institution-building are associated with different types of dissatisfaction with the institutional status quo, and with different implications for the institutional order.

The article then turns to possible explanations for parallel institution-building by China. Power considerations, efficiency, and status concerns are each plausible explanations, but particular emphasis is placed on the legitimating effects of multilateralism as a core incentive for parallel institution building. Finally, the article draws on

theoretical literature on regime complexity and institutional overlap to consider the implications of parallel institutions in the context of an international power shift, both for existing institutions, and for the policy areas they regulate.

## **2. China's New Multilateral Institutions**

Over the last decade, China has taken the lead in fostering a series of new international institutions. Some of these institutions are formal intergovernmental organizations, based on an international treaty. Others are informal forums, initiated by China, but which depend on the participation of foreign state and non-state actors. As such, some of these institutions stretch traditional understandings of regionalism (Acharya 2014; Garzón 2017) and multilateralism (Keohane 1990; Ruggie 1992). Some institutions are regional, while others are open to global participation. What they have in common is that they typically *replicate functions of existing multilateral institutions*. These institutions are not limited to a particular issue area but cover a range of policy fields, most notably development finance, trade and investment, crisis lending and multilateral economic surveillance, and security collaboration.

As a recently risen global power, and a potential regional hegemon in Asia, China faces an already institutionalized status quo. For this reason, any multilateralism it initiates is likely to come up against established institutions that share the same policy field or have overlaps in membership. As such, the few studies that have sought to analyze these institutions collectively have labeled them “parallel” institutions (Heilmann et al. 2014; Paradise 2016; Stuenkel 2016b). As China has grown more confident in its institutional innovations, these institutions have proliferated and are attracting increasing attention (see also Ikenberry and Lim 2017; Keithley 2014; Stephen and Skidmore 2019; Wang 2015; Yuan 2018), and prompted interest in whether a parallel, China-centric institutional order is emerging (Barma et al. 2009).

To gain an overview of China's parallel multilateral initiatives, we surveyed multilateral institutions created in the period 1990 to 2016 in which China has had a leading role or been a founding member.<sup>2</sup> We gathered data from the *Yearbook of International*

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<sup>2</sup> I gratefully acknowledge research assistance provided by Johannes Scherzinger.

*Organizations of the Union of International Associations*<sup>3</sup> and supplemented this with additional material from a survey by the *Mercator Institute for China Studies*<sup>4</sup> and the results of a news article search using *Lexis Nexis Academic*. The coding procedure is described in the appendix. Our efforts resulted in the overview provided by Table 1. While we cannot be sure the table includes all of China's multilateral initiatives in this time, it at least provides a lower floor of the phenomenon.

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<sup>3</sup> (Eds.). (n.d.). *Yearbook of International Organizations 2016-2017, Volume 6*. Leiden, Niederlande: BRILL. Retrieved Mar 16, 2018, from <https://brill.com/view/title/33166>

<sup>4</sup> Heilmann, S., Rudolf, M., Huotari, M., & Buckow, J. (2014). China's shadow foreign policy: parallel structures challenge the established international order. *China Monitor*, 18, 28.

**Table 1: Multilateral institutions with Chinese involvement, 1990–2016**

<b>Name of multilateral initiative</b>	<b>China's Role</b>	<b>Issue Area</b>	<b>Notes</b>	<b>Year</b>
Asia-Pacific Space Cooperation Organization (APSCO)	Founding Member	Multiple	IGO which deepens air and space cooperation. The first recorded meeting occurred in 1992. The IGO was formally founded in 2005.	1992
Asia-Pacific Legal Metrology Forum (APLMF)	Leading Role	Economy	Informal Series of Summits to promote free-trade by harmonizing legal metrology	1994
Shanghai Cooperation Organization (SCO)	Founding Member	Security	Intergovernmental security alliance comparable to NATO	1996
International Network for Bamboo and Rattan (INBAR)	Founding Member	Economy	IGO which uses bamboo and rattan to further poverty reduction in Asia	1997
Conference on Interaction and Confidence-Building Measures in Asia (CICA)	Leading Role	Security	Summit involving ministerial conferences on security	1999
Forum on China-Africa Cooperation (FOCAC)	Leading Role	Multiple	Infrequently held summits involving ministerial conferences between African nations and China	2000
Bo'ao Forum	Leading Role	Multiple	Annual informal summit modeled after the World Economic Forum	2001
Asia Cooperation Dialogue (ACD)	Founding Member	Multiple	IGO which integrates separate regional organization into one cooperative body	2002

China Union Pay (CUP)	Sole Initiator	Economy	Major financial corporation which issues credit cards. Owned by the People's bank of China.	2002
Asia-Pacific Quality Network (APQN)	Leading Role	Multiple	Network of academic accreditation agencies varying quality of institutions of higher education	2003
Network of East Asian Think-Tanks (NEAT)	Leading Role	Multiple	network of research institutes some of them state-owned and think tanks for East Asian cooperation	2003
China-Arab States Cooperation Forum	Leading Role	Multiple	Series of informal summits, ranging from ministerial meetings, entrepreneurs' conferences or senior official conferences on health policy	2004
Asia Pacific Regional Arbitration Group (APRAG)	Founding Member	Economy	Regional Federation of commercial arbitration associations	2004
Asia-Pacific Space Cooperation Organization (APSCO)	Founding Member	Multiple	IGO which deepens air and space cooperation. The convention creating the IGO was signed in 2005, but the first recorded meeting occurred in 1992.	2005
BRICS	Leading Role	Economy	Annual summit and numerous working groups for <b>Brazil, Russia, India, China, and South Africa</b>	2009
Universal Credit Rating Group (UCRG)	Co-Founding Member	Economy	International Credit Rating Agency	2012
Regional Comprehensive Economic Partnership (RCEP)	Leading Role	Economy	Proposed Free-Trade Agreement between ASEAN members + 6	2012
Chiang Mai Initiative	Leading Role	Economy	Multilateral currency swap agreement to build financial reserve pool	2012

Multilateralization (CMIM)						
One Belt, One Road (now Belt-Road Initiative)	Sole Initiator		Economy		Massive infrastructure investment initiative proposed by the Chinese government	2013
Asian Infrastructure and Investment Bank (AIIB)	Founding Member		Economy		Development and Infrastructure Lending	2014
World Internet Conference	Sole Initiator		Economy		Annual Summit which strives to promote "cyber-sovereignty", China is keen on developing a "different internet with Chinese characteristics"	2014
Cross-Border Inter-Bank Payment System (CIPS)	Sole Initiator		Economy		Payment System that offers settlement and clearing services using Renminbi currency	2015
China-CELAC Forum	Leading Role		Multiple		Series of infrequently held summits between China and several Latin American and Caribbean states to further economic and civil partnership	2015
BRICS Contingency Reserve Arrangement (CRA)	Founding Member		Economy		Financial liquidity pool for temporary balance -of- payment- issues	2015
BRICS New Development Bank (NDB)	Founding Member		Economy		Development and Infrastructure Lending	2015
ASEAN + 3 Macroeconomic Research Office (AMRO)	Founding Member		Economy		AMRO is an IO that serves as a macroeconomic surveillance monitor of the CMIM Initiative	2016

China's institutional initiatives can be grouped into nine categories based on their policy field and multilateral format: security, general-purpose regional and inter-regional forums, finance, credit ratings, internet governance, space technology, trade and investment treaties, multilateral development banks, and the Belt Road Initiative. A fuller descriptive overview and literature review of these institutions is provided in the appendix, but some generalized empirical observations can be offered.

At the outset, this descriptive overview casts doubt on the claim that "Asia's growing economic weight in the world economy is unlikely to produce substantial changes in global economic governance" (Kahler 2010:178). It is also at odds with claims that the Communist Party of China has a general aversion to institution building and a distaste for 'global governance' (Butt 2016), as well as the conclusion that any emerging "world without the West" will be characterized by a shift "away from institutions and toward transactions" (Barma et al. 2009:541). Rather, the picture that emerges from this overview is that while China has actively courted existing institutions and increasingly sought their reform, it has also been increasingly active in the creation of numerous new institutional initiatives in Asia and beyond.

The earliest institutions in which China played the role of co-sponsor were the regional security institutions of CICA (1999) and the SCO (2001). In the early 2000s, China was also active in setting up the Bo'ao Forum and the Asia Cooperation Dialogue. In this phase, China was focused on allaying its neighbors' concerns about its increasing power and building linkages to other developing countries via inter-regional forums (with Africa in 2000, the Middle East in 2004, and later Latin America in 2015).

Despite China's accession to the WTO being wrapped up by 2003, China's interest in building new institutions has only increased. By the 2010s China began to build new formal intergovernmental organizations, and to do so on a potentially global level. Alongside building new financial infrastructure (the Universal Credit Rating Group and the CIPS payment system) and asserting itself more strongly in the internet governance field (the World Internet Conference in 2014), by 2016, the NDB and AIIB were already in business, the BRICS CRA, CMIM, and APT AMRO were launched, and negotiations were underway on the RCEP and FTAAP. China's interest in initiating new institutions appears mostly to post-date its accession to the existing institutional order.

There is significant variation in the format or “design” (Koremenos, Lipson, and Snidal 2001) of China’s new institutions. This includes variation in membership scope, level of formality, and publicness. Some institutions are intended to be global in character and are open to all members of the United Nations (e.g. AIIB, NDB), others are limited to China’s region (e.g. SCO, CICA, CMIM), while others do not rely on state membership but are really Chinese initiatives that are nonetheless based on a high level of international buy-in (e.g. the World Internet Conference, the Bo’ao Forum). China’s new institutions range also in level of formality, from the formal constitution of new international organizations (IOs) via legal treaties (e.g. SCO, CICA, CMIM, NDB, AIIB) through to informal intergovernmental forums (e.g. BRICS) and nationally-organized international summits (e.g. the Bo’ao Forum, the Belt Road Forum). Moreover, China’s new institutions vary in terms of their publicness, from fully public intergovernmental organizations (e.g. APSCO, AIIB, SCO) through to largely private ventures supported by governmental agencies (e.g. CIPS, the Universal Credit Rating Group). It is also important to note that China’s role in setting up these institutions also varies. In some cases, such as the AIIB or BRI, China initiated the institutions and played the key role in organizing their founding. In others, such as the CMIM or RCEP, China has joined a pre-existing institution, and by virtue of its size and influence, in doing so it has given the institution a new meaning.

Finally, while China’s new institutions cover a wide range of issues areas, some are notably absent. Despite some acceptance of international human rights treaties over the last decades (Dingding 2009), China has not taken notable new initiatives in the field of human rights. While China was party to the Bangkok Declaration of 1993, which became associated with “Asian values” (Bauer 1996), Asian initiatives in human rights have been largely limited to ASEAN’s human rights mechanism (Renshaw 2013). China has not (yet) sought to use new institutions to promulgate a Chinese approach to human rights.

### **3. Parallel Institutions**

China has engaged in a burst of multilateral initiatives and institution building. But how should we think about these initiatives? While most observers see China’s new institutions as an important development in Chinese foreign policy with significant

implications for international order, there is not yet agreement on how to understand them theoretically. Can they be grouped together as an identifiable phenomenon, or are they simply a mixture of new multilateral institutions and traditional regionalism? Are they examples of “competitive regime creation” (Morse and Keohane 2014) designed to challenge incumbent institutions or rather complementary additions to the institutional landscape?

At the moment, uncertainties over the categorization and meaning of these institutions extend to the issue of how to describe these institutions. Analysts who have examined the institutions as a group have referred to them as simply as “new institutions” (Keithley 2014; Wang 2015; Xiao 2016), but they are also sometimes described as “alternative” institutions or structures (Heilmann et al. 2014; Ikenberry and Lim 2017), examples of “rival regionalisms” (Frost 2014), “intersecting regionalism” (Acharya 2015), or more sinisterly, “shadow” institutions (Rudolf 2016:89). The empirical observation that China has initiated or assisted in the creation of a series of new international summits and institutions needs to be conceptualized in theoretical terms if it is to contribute to a broader understanding of international politics. To what universe of cases do they belong? Do they constitute a coherent phenomenon at all, worthy of sustained theoretical attention?

China’s new institutions can be understood in several theoretically meaningful ways, each of which imparts its own nuances and research agendas, but each of which comes with certain analytical trade-offs. But there appear to be few ‘off the shelf’ concepts than can capture the full range of China’s multilateral initiatives.

Guided in particular by the criteria of parsimony, familiarity, resonance, and theoretical utility (Gerring 1999), I will follow others in referring to them as *parallel institutions* (Heilmann et al. 2014; Paradise 2016; Stuenkel 2016b), and to the act of their creation as *parallel institution building*. While China’s parallel institutions have attracted increasing attention, they are yet to be explicitly and clearly defined (e.g. Paradise 2016:150). Yet little progress can be made in the absence of a clear definition of terms.

I define parallel institutions as *institutions whose tasks replicate or compete with those of an already existing (incumbent) institution*. This definition rests on two key

components: (1) institutionalization and (2) replication or rivalry in relation to an existing institution.

First, as our primary focus is on organizations, platforms, and forums that vary in terms of formality, publicness, and geographical extent, institutions are defined here as *explicit arrangements, involving the participation of international or transnational actors, that are designed to govern and otherwise influence behavior*. In this understanding, institutions are *not* equivalent to recurring patterns of behavior (Young 1982:277), although they may produce patterns of behavior. Institutions *may* consist of deliberately designed rules to “prescribe, proscribe, and/or authorize behavior” (Koremenos et al. 2001:762), but their tasks can also remain more diffuse than regulative norm building, such as promoting information exchange or opportunities for informal socialization. They can also be distinguished from informal norms or shared beliefs (Finnemore and Sikkink 2001). Institutions, in this understanding, include treaties, organizations, forums, regularized summits, and agreements. Institutions are more specific than broader “regimes” (Keohane 1995) but the concept is also more encompassing than “organizations”.

Second, parallel institutions need to replicate or offer an alternative to the tasks and goals of existing ones. ‘Institutional tasks’ is a deliberately broad category that includes such things as international policy coordination, standards-setting, norm generation, information exchange, socialization opportunities, and research and advocacy activities. Task replication or competition exists if two criteria are met: if a parallel institution is designed to or actually does provide the same policy tasks as an existing institution, and if the *target* members or participants of the parallel institution intersect with those of an established one (compare Urpelainen and Van de Graaf 2014:801).

Because the classification of parallel institutions is not a trivial task, it is helpful to contrast them to alternative categories in order to clarify what parallel institutions are *not*. Johannes Urpelainen and Thys van de Graaf, for example, study the creation of “overlapping institutions”, i.e. institutions that *either* have intersecting target memberships *or* seek to regulate the same common pool resource (Urpelainen and Van de Graaf 2014:801). Parallel institutions can qualify as overlapping institutions in this

sense but do not necessarily. For example, the BRICS forum qualifies as a parallel institution to the G7 because it replicates the institutional tasks of informal policy coordination among major powers, yet their memberships do not overlap. Similarly, some platforms like the World Internet Conference are not based on formal membership at all but are clearly designed to compete for influence in shaping the policy fields of existing institutions.

Similarly, Julia Morse and Robert Keohane have recently offered the concept of competitive regime creation. This is defined as the creation of “an alternative multilateral institution to compete with existing ones” which “always involve[s] conflict between the rule, institutionalized practices, or missions of two different institutions” (Morse and Keohane 2014:387). The new institution ought to “conflict with or significantly modify the rules and institutionalized practices of the status quo institution” (Morse and Keohane 2014:388). Yet, by definition, parallel institutions need not compete with existing ones; they may also be reinforcing or complementary. Parallel institutions may indeed complement or even deepen the rules of an existing institution, as much as challenge it (de Búrca 2016). At the same time, in common with much of the rationalist literature, the concept of competitive regime creation appears to be limited to the establishment of formal multilateral institutions (Keohane 1990:731; Morse and Keohane 2014:385), whereas parallel institutions may but may not reach this level of formalization. More informal platforms such as transnational summitry (for example, the Bo’ao Forum), or publicly-supported private authorities (such as the Universal Credit Group) can also qualify as parallel institutions.

Parallel institution building is also not equivalent to institutional *replacement*, that is, “the renegotiation of an institution intended effectively to replace an existing one” (Cottrell 2009:220). Regardless of the intentions behind parallel institution building, as will be argued below, it is only substitutive parallel institutions that can realistically replace an existing institution. While some parallel institutions may be substitutive (the RCEP is designed to multilateralize and effectively replace a series of ASEAN-related preferential trade agreements), not all parallel institutions have this

relationship to incumbent institutions.<sup>i</sup> Likewise, parallel institution building is a much more specific multilateral strategy than Kai He's notion of *institutional balancing*, defined as "countering pressures or threats through initiating, utilizing, and dominating multilateral institutions" (He 2008: 489). Moreover, in contrast to the concept of institutional balancing, the notion of parallel institutions does *not* assume that the creation of new institutions is part of a realist strategy for "security under anarchy" (He 2008: 489).

Finally, parallel institutions can be regional, but need not be. Regional institutions, i.e. international institutions whose membership is limited to an imagined region, are an increasingly common feature of world politics (Acharya 2014; Katzenstein 2005), and some of China's key parallel institutions, such as the AIIB, have been discussed in the context of a new regionalism (Kahler 2016). But while the populations of parallel institutions and regional institutions may overlap, they do not converge. While the AIIB has a regional focus, its membership is global. The NDB or BRICS are not regional institutions, but inter-regional initiatives.

In general, a common feature of pre-existing concepts is that they draw a sharp distinction between multilateral institutions and bilateralism or unilateralism. While this is perfectly legitimate, it risks becoming an artificial limitation in the context of parallel institution building. It is not obvious why our focus should be limited only to formal multilateral organizations, when some parallel institutions may take the form of national initiatives that depend on international participation. Moreover, a focus exclusively on public institutions may neglect the role of private authority. For example, credit rating agencies exercise a form of private authority over market participants and sovereign borrowers (Lake 2010:604–7; Sinclair 2005) and have become a cite of parallel institution building in the form of the Universal Credit Group. Identifying parallel institutions relies on some degree of analytical nous and qualitative judgment.

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<sup>i</sup> The same principle differentiates parallel institution building from Joseph Jupille and others' understanding of "institutional creation" as "the replacement of one set of governance rules by a novel institutional order" (Jupille et al. 2013:10).

#### 4. Four Types of Parallel Institutions

Existing literature on China's parallel institutions tends to assume that they exist in a competitive relationship to established, 'Western' institutions (Heilmann et al. 2014; Stuenkel 2016a). Indeed, concepts such as competitive regime creation (Morse and Keohane 2014) may contribute to this assumption. Yet, there is good reason to think that the reality is more complex.

There are several kinds of relationships that parallel institutions can take on in relation to existing institutions. To capture these relationships, this section develops a typology that is based on two key dimensions.<sup>ii</sup> The categories for these relationships are inspired by Gretchen Helmke and Steven Levitsky's (2004) seminal study of the role of informal institutions in comparative politics and draws on insights generated in *International Relations on institutional proliferation and inter-institutional political strategies*.

##### *Political decision-making power*

The first dimension of the typology relates to *the degree to which parallel institutions challenge or redistribute the decision-making power and political authority of existing institutions within a regime complex*.<sup>iii</sup> Quite simply, as new institutions are created, established institutions may lose out (Morse and Keohane 2014:385). Does a given parallel institution challenge and erode, or complement and reinforce, the role and authority of established institutions?

Political decision-making power in international institutions is distributed across two levels. On one level, there is a distribution of political power between decision-making institutions and organizations. For example, while both the United Nations Security Council and the African Union participate in the regime complex for international security, in this relatively integrated regime, it is the Council that exercises a greater level of political authority, defined as the capacity to make recognized binding

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<sup>ii</sup> It is important to note that these dimensions do not refer to the (potentially inscrutable) motives that actors have in parallel institution building, but refer to institutional relationships that can be empirically verified. Contrast with (e.g.) (Kreuder-Sonnen and Zangl 2016).

<sup>iii</sup> A regime complex is "an array of partially overlapping and nonhierarchical institutions governing a particular issue-area" (Raustiala and Victor 2004:279). See also (Alter and Meunier 2009a:13; Keohane and Victor 2011:8–9).

decisions (Zürn, Binder, and Ecker-Ehrhardt 2012:70). On a subterranean level, however, there is also a balance of decision-making power between the actors that control these institutions. To stay with the example of the Security Council, while the Council takes decisions for the whole UN membership, it is the five permanent members who exercise oversized influence over the Council's authority.

The addition of parallel institutions can alter the distribution of political influence across both these levels. Most obviously, a new (parallel) institution may take on new decision-making functions that challenge the authority of existing institutions. Competition for competences, status, and resources may ensue (Gehring and Faude 2014). This competition may induce differential institutional growth (Streeck and Thelen 2005:23), which, in its extreme, can lead to the outcompeting of one institution by the other. The out-competing of one institution by another, either by completely poaching its policy functions, or monopolizing the relevant organizational resources, could lead in extreme cases to institutional *displacement*.

But parallel institution building can also have an impact at the second, subterranean level, by altering the political opportunities for actors to exercise influence over institutions. Clearly, parallel institutions are likely to give a different set of countries greater decision-making power. They may also open up new opportunities for forum shopping and regime shifting (relocating an international policy process or activity from one international venue to another in order to alter the status quo) (Alter and Meunier 2009a:17; Helfer 2004:14). Alternatively, parallel institutions may reinforce the authority of existing institutions, such as by making their decisions subordinate to, or conditional on, those of existing institutions.

Importantly, these changes in authority do not (necessarily) affect the social purpose of governance. Provided that principles, rules, and norms of parallel institutions are convergent with those of established institutions, any changes in the balance of decision-making power will be changes 'within' the existing system (Krasner 1982:187).

### *Social Purpose*

The second dimension concerns *the degree to which parallel institutions diverge from the substantive goals, policies, practices, and norms of established institutions*. The key

here is whether parallel institutions actually produce outcomes that are significantly different from those of established institutions, aside from the distributive questions of which actors gain the most and which actors exercise the most influence. While international institutions often try to present themselves as apolitical bureaucracies, the policies they promote always serve some political, economic, or cultural values; in other words, they perform a broader *social purpose* (Barnett and Finnemore 1999:708; Cox 2001:53; Keohane 2012:125; Ruggie 1982:380). The degree to which parallel institutions promote alternative principles, rules, and norms determines, from a rationalist perspective, whether they are in fact part of the same regime or offer an alternative (Krasner 1982:188). Expressed differently, the social purpose of institutions refers to the “principles about fact, causation, and rectitude, as well as political rights and obligations that are regarded as legitimate” that institutions embody (Ruggie 1982:380). Do parallel institutions embody alternative norms and operate according to different principles, or not? If global ‘hegemony’ depends not only on the distribution of political power, but on an economic and social structure (Cox 1983:171–72), the social purposes of parallel institutions can inform judgments about whether contemporary powers signal a change *of* hegemony, or a change *within* hegemony (Ruggie 1982).

The clearest historical example to illustrate the concept of parallel institutions that embody different social purposes may be the bifurcated international economic and social order that has been referred to as the Cold War. On one side of the Iron Curtain, the United States and its allies cultivated an institutional order that promoted a vision of ‘embedded liberalism’ characterized by a form of state-regulated capitalism (Cox 1987:214; Ruggie 1982:393–404). This centered on international institutions such as the General Agreement on Tariffs and Trade (GATT), the Organisation for Economic Cooperation and Development (OECD)<sup>iv</sup> and Marshall Plan aid, the International Bank for Reconstruction and Development (IBRD), and the International Monetary Fund. On the other side of the Iron Curtain, the Soviet Union promoted international institutions based on the ideas of ‘really existing socialism’ (Hobsbawm 1995:372–400; Mazower 2012:244–49). Key international institutions in this order were the Communist Information Bureau (Cominform, 1946–1957), the Council for Mutual Economic Assistance (Comecon), the International Bank for Economic Co-operation, and the In-

ternational Investment Bank (IIB) (Brabant 1998:51–52; Butler 1978). These parallel institutions, which emerged contemporaneously as parts of rival modernities, clearly differed strongly in their goals, policies, practices, and norms.

At a more prosaic level, modern parallel institutions may promote social purposes that differ only somewhat from existing ones. For example, Raustiala and Victor, in their study of plant genetic resources, suggest that states can sometimes deliberately create new rules that are inconsistent, or even incompatible, with those of existing institutions, in order to win political wiggle room, a situation they term ‘strategic inconsistency’ (Raustiala and Victor 2004:301–2). Further examples will be discussed below.

The addition of this “social purpose” dimension of inter-institutional relationships results in the four types of parallel institutions depicted in Figure 1. This typology offers greater precision and analytical clarity regarding the nature of China’s new institutions and opens up new pathways for further research.

**Figure 1: Types of Parallel Institutions**

<b>Political Authority</b> <b>Social Purpose</b>	<b>Cooperative</b>	<b>Rivalrous</b>
<b>Convergent</b>	Reinforcing	Substitutive
<b>Divergent</b>	Complementary	Competing

Source: Inspired by Helmke and Levitsky (2004: 728)

### *Reinforcing Institutions*

Where cooperative authority relationships with established institutions align with convergent social purposes, we can speak of *reinforcing* parallel institutions. Reinforcing parallel institutions enhance or strengthen the authority relationships of existing institutions and do so in a way that promotes their policies, practices, missions, and norms. Reinforcing parallel institutions would be a sensible choice for actors who are

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<sup>iv</sup> Originally the Organization for European Economic Cooperation (OEEC)

in principle satisfied with existing institutions, and do not wish to challenge them, but believe that they are underperforming and can benefit from the addition of a new institution. Because reinforcing parallel institutions do not challenge either the authority relationships or the substantive goals of existing institutions, one can hypothesize that they are likely to be initiated by actors who would remain committed to existing institutions in principle, but for are persuaded that they can realize the same goals via an alternative institution.

The GATT/WTO regime's foreseen relationship to regional trade agreements (RTAs) is a good example of how reinforcing parallel institutions are supposed to work. When the participants of the United Nations Conference on Trade and Employment founded the GATT in 1947, they had to decide how the GATT would relate to existing and potential new RTAs. Regional trade agreements—also known as preferential trade agreements—represent a departure from the norm of non-discrimination that was supposed to be at the core of the GATT regime. Recognizing the political reality that some countries would only join the GATT if RTAs would be allowed, Article XXIV was added permitting RTAs under certain conditions. These conditions included, among others, that the RTAs do not increase trade barriers to excluded countries, that they cover “substantially all trade”, and that they are officially notified with GATT members. In this way, the authors of the GATT sought to make sure that any future RTAs would depart neither from the authority of the GATT nor its substantive goals.

Another modern example of a reinforcing parallel institution is the creation of the Proliferation Security Initiative (PSI) for the interception of vessels at sea suspected of transporting illegal weapons. Here, the United States wanted to improve the implementation practices under the United Nations Convention on the Law of the Sea (UNCLOS), rather than alter its principles or challenge the authority of the UNCLOS (de Búrca 2016:323; Morse and Keohane 2014:401). More generally, Gráinne de Búrca has argued that several recent cases of parallel institution-building did not in fact involve much conflict over either authority or substantive rules, but rather involved new institutions for the purpose of “advancing the goals and practices of the first institution, or supplementing and enhancing them, rather than necessarily challenging or undermining them” (de Búrca 2016:322). In the case of reinforcing parallel institutions, new institutions enhance and support the norms and authority relationships of exist-

ing institutions. If China's new institutions are of the reinforcing type, China's rise could spell a deepening and consolidation of the existing institutional order.

### *Complementary Institutions*

*Complementary* parallel institutions also establish cooperative authority relationships with established institutions but do so in a way that promotes a social purpose divergent from that of existing institutions. Complementary parallel institutions are likely to be set up by actors that seek alternative substantive outcomes from existing institutions but wish to do so in a way that does not challenge the authority of existing institutions. The notion of complementarity emphasizes that this type of parallel institutions may cover new cases, fill in gaps, or promote alternative models, compared to established institutions. A solid division of labor based on different organizational tasks, combined with formal coordination or cooperative relations between institutions, would be strong indicators of complementary parallel institutions.

In some ways, Chinese representatives have sought to portray their new institutions as examples of complementary institution building. Take the AIIB. In terms of authority, the AIIB quickly entered into a Memorandum of Understanding with the World Bank and Asian Development Bank, and its lending has typically been in collaboration with existing banks. The first president of the AIIB has also spoken about the bank in reassuring terms as not being opposed to anyone, and the AIIB as wanting to partner, rather than compete, with the United States and its institutions (Stephen and Skidmore 2019:74–82). At the same time, in terms of content, the bank's president has spoken of needing to take the needs of developing countries more fully into account, and as the name suggests, the focus of AIIB lending will be in infrastructure geared towards sustainable development, rather than any overarching mission to reduce poverty (which it sees as a downstream effect of economic development). If this turns out to be the case, and the AIIB evolves a cooperative relationship based on a division of labor with established multilateral development banks, this would be a strong example of complementary parallel institution building in which a new institution “introduces positive feedback effects that enhance cooperation and the effectiveness of any one cooperative regime” (Alter and Meunier 2009b:14).

### *Substitutive Institutions*

The right side of Figure 1 corresponds to types of parallel institutions that take on a rivalrous authority relationship to existing institutions. These types of parallel institutions challenge and detract from the authority relationships sustained by existing institutions, for example by competing for membership, for resources, and seeking to erode or supplant the role of established institutions. *Substitutive* parallel institutions do this in a way that is nonetheless still convergent with the social purpose embedded in existing institutions.<sup>v</sup> The notion of substitutive institutions corresponds to what John Ikenberry and Darren Lim describe as a strategy of “external innovation”: creating a new institution that “would not purport to operate under or promote substantively different rules and practices, but rather—to use an economic analogy—be a new entrant within the competitive institutional marketplace” (Ikenberry and Lim 2017:8).

The creation of substitutive parallel institutions would be a potentially attractive option for actors who are primarily dissatisfied with the current distribution of influence and authority embodied in existing institutions, rather than dissatisfaction with substantive policies, practices, and norms. Nonetheless, substitutive institutions may come tied up with “unhelpful competition across actors, inefficiencies, and transaction costs that end up compromising the objectives of international cooperation and international governance” (Alter and Meunier 2009b:14). The building of substitutive parallel institutions results in a more complex inter-institutional environment, in which different institutions rival each other for resources and to provide governance tasks, but these rivalries will play out at the level of political influence and authority, rather than contestation of the basic rules and principles. The primary goal is to realize a “redistribution of authority in a regime complex” (Morse and Keohane 2014:408).

The inter-institutional rivalry that emerged between the Organization of American States (OAS) and the Union of South American Nations (UNASUR) in the security sphere may be one case of substitutive parallel institution-building. UNASUR was created by seven South American nations in 2008 as a parallel institution to the much

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<sup>v</sup> Substitutive institutions are so called because they can act as substitutes for existing institutions. This does not imply that they are necessarily designed to replace them.

older OAS (founded 1948). According to Brigitte Weiffen and others, UNASUR sought to take on a role as a regional security organization as a viable South American substitute to the US-dominated OAS but did so ironically by modeling itself on the goals and functions of the OAS, which is seen as a credible regional organization (Weiffen, Wehner, and Nolte 2013). While they see some cases of norm adaptation and modification, the major relationship of UNASUR to OAS is as a strategic substitute driven by authority issues (Weiffen et al. 2013:384).

A similar story has been told about some of China's new institutions. John Ikenberry and Darren Lim ultimately interpret China's new institutional statecraft as being compatible with the norms and rules of existing institutions, but as being deeply significant in its erosion of American dominance over the liberal international order (Ikenberry and Lim 2017). Heilmann and others also emphasize the redistribution of political authority in their account of China's new institutions, seeing them as "in part complementary, in part competitive" in relation to existing institutions. They are designed primarily to "increase China's autonomy vis-à-vis U.S.-dominated institutions and to expand its international sphere of influence" (Heilmann et al. 2014:1). Oliver Stuenkel also sees the BRICS' parallel institutions primarily as "a tool to enhance their capacity to gain privileges of leadership and slowly reduce the United States' institutional centrality", rather than representing any departure from existing principles and norms (Stuenkel 2016b:1). The general picture of these accounts is one in which China's new institutions are of the substitutive type.

### *Competing Institutions*

The final theorized type is that of *competing* parallel institutions. Competing institutions are consistent with a counter-hegemonic or 'revisionist' strategy (Cooley, Nexon, and Ward 2019; Drezner 2019). Competing institutions challenge both the authority and the purposes of existing institutions. A rivalrous, potentially zero-sum relationship develops between the parallel institution and its incumbent, and the parallel institutions pursue goals that are substantively at-odds, or even antithetical, to those of the incumbent institution. This produces strong inter-institutional competition and starkly divergent social models. The creation of competing parallel institutions would be a rational approach for actors that are dissatisfied with their place in the distribu-

tion of political authority in a given regime complex and seek to address this perceived shortcoming at the same time as promoting an alternative policy framework or set of norms.

In addition to the Cold War system discussed above, one familiar example of competing parallel institution building may be the case of competing regionalisms in the Latin American context. For some scholars, the proliferation of autochthonous parallel institutions from South America such as UNASUR and especially the Bolivarian Alliance for the Americas (ALBA) was founded not just in a counter-hegemonic challenge to external (US) influence, but on “new foundational ideas and institutions” (Riggirozzi and Tussie 2012:3). The ALBA was seen by several observers as a blueprint for an alternative social purpose to established institutions, representing some kind of post-capitalist, post-liberal form of regional integration (Chodor and McCarthy-Jones 2013; Escobar 2010). By challenging both the social purpose and the political authority of established institutions, these “counter-hegemonic” institutions conform to the competing type elaborated here. Another example would be the attempt of developing countries to contest the norms and authority of the GATT and Bretton Woods institutions by setting up the United Nations Conference on Trade and Development (UNCTAD), and seeking to relocate important policy functions to this new institution (Taylor and Smith 2007). UNCTAD would become a key institutional antagonist in developing countries’ campaign for a New International Economic Order, which sought to revise the basic principles and norms of the international economy (Cox 1979; Krasner 1985). The creation, in 1994, of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) under the auspices of the WTO to contest the authority and rules of the pre-existing World Intellectual Property Organization (WIPO) may be another more recent example of competing parallel institution building (Morse and Keohane 2014:407).

## **5. Accounting for Parallel Institution Building**

China’s apparent interest in paralleling institution-building leads directly to the question of why and how such institutions emerge. To date, the literature that takes institutional proliferation as its point of departure has not done so in the context of China’s rise or the institutional conflicts that may exist between rising and established

powers. The tendency has been to depict parallel institutions as a result of bargaining failure.

In their study of the creation of overlapping institutions, Johannes Urpelainen and Thys van de Graaf argue that the creation of new institutions with similar mandates and overlapping memberships results from a bargaining failure whereby a dissatisfied challenger fails to reform the focal institution sufficiently and is consequently incentivized to create an alternative. They explain this outcome as a result of (1) institutional capture by actors opposed to the challenger, and (2) strong domestic political pressure on the challenger to change the status quo. If neither condition is met, or if only one is present, no new institution building occurs. “It is the combination of the two conditions that is sufficient to explain *de novo* creation” (Urpelainen and Van de Graaf 2014:824). At the same time, they acknowledge that there may well be alternative paths to parallel institution-building that will be increasingly important to examine in the context of rising powers such as China and India.

A similar approach is developed by Julia Morse and Robert Keohane. They demur from developing a formal explanatory theory of “competitive regime creation”, but suggest that preconditions for it include dissatisfaction with the status quo, and an inability to change the “blocked institution” (2014: 390). A further necessary condition for competitive regime creation is the ability to pursue outside options. But why don’t already existing institutions reform? The authors suggest that reform can fail for two reasons: (1) if the challengers are unable to credibly threaten their outside option, or (2) if the focal institution is subject to veto players who are able and willing to prevent reform (Morse and Keohane 2014:391).

A similar—rationalist but more power-sensitive—approach to institutional creation has been developed in a prominent co-authored study. Joseph Jupille and others consider a more demanding form of substitutive parallel institution building in which the new institution is intended to replace the established institution (Jupille et al. 2013:10). They assume a boundedly rational actor who makes sequential “institutional choices” to further their interests. Where actors can resolve their “cooperation problems” within existing institutions, their imperfect knowledge and aversion to risk will lead them to “use” existing institutions. Actors may seek alternative existing institu-

tions (“selection”) or seek to reform existing ones (“change”), but only if there is no, or no satisfactory, focal institution. Ultimately, if existing institutions are so deficient, they may pursue creation (Jupille et al. 2013:35–36). They consider creation to be the costliest and most risky form of institutional choice and consequently consider it a rare phenomenon in world politics.

These existing studies offer important insights and generate compelling hypotheses that can be further assessed in the cases of Chinese parallel institution building. At the same time, they do not speak with one voice, and this in itself can provide fodder for further empirical and theoretical study. For example, Jupille and others emphasize that new institution building occurs more often in the absence of a clear focal institution, and requires the dissatisfied party to have a reasonable expectation of success. Yet Urpelainen and van de Graaf find these factors to be irrelevant and emphasize the roles of institutional capture and domestic political pressure on challenging states.

Zheng Chen and Yanchuan Liu similarly develop rationalist bargaining theory, but ultimately offer an alternative account of parallel institution building (Chen and Liu 2017). For Chen and Liu, problems of credibly committing to using exit options are only partly relevant to explaining parallel institution building. Rather, the problem lies more in the commitment problems created in the context of the uncertainty and *realpolitik* inherent in rapid shifts in power (Chen and Liu 2017:6). They draw on Hirschman’s classic study (Hirschman 1970) to categorize parallel institution building as a form of ‘exit’ or outside option in relation to established institutions. In seeking reform of existing institutions (voice), a rising power will have greater bargaining leverage if its exit options are good (Lipsky 2015). Even if a rising state is able to credibly threaten exit, an established power may still not be willing to concede sufficient reforms because it cannot be sure this will satisfy the rising power in the long term. Moreover, the established power may prefer to hold on to its institutional privileges in order to retard its relative decline (Chen and Liu 2017:6). The rising power may, therefore, initiate parallel institutions for three reasons (Chen and Liu 2017:7–10): (1) to improve its outside options in order to secure more favorable reform; (2) to improve its outside options in case reforms fail; and (3) to reassure both established and smaller powers that its intentions are not malign. The implication is clear: parallel institution building will occur when the benefits of self-restraint through delegation

to an IO outweigh the costs to policy autonomy and ability to threaten other states (Chen and Liu 2017:10).

The literature on China's new institutions has not yet developed many general theoretical accounts of why China has engaged in parallel institution building, or what can explain important variation such as why it has occurred in some areas but not in others, or why it has emerged at some times and not others. There are however some common themes that can be identified in the emerging literature on China's new institutions.

First, in a vindication of the theoretical studies cited earlier, there is largely a consensus on the linkage between parallel institution-building and established institutions being 'captured' by status quo coalitions. The creation of the AIIB is often linked, for example, to the failure of the Bretton Woods institutions to sufficiently accommodate China's aspirations (see, e.g., Chen and Liu 2017; Chin 2016; Chow 2016; Xiao 2016). Nonetheless, there are important exceptions. The creation of the BRICS group, for example, took place despite vigorous attempts by established powers to integrate the BRICS into existing apex informal forums, via the boost in the status of the G20 of major industrialized and emerging economies and courting of the 'outreach five' by the G7 (Cooper 2016:24–35; Parízek and Stephen 2019; Peters 2019; Stuenkel 2013). While stalled reform in the established institution is a key condition associated with parallel institution building, it is not a necessary condition.

Second, several existing studies of China's new institutions argue that the major factor behind their creation lies in dissatisfaction over the distribution of political authority, rather than dissatisfaction with norms and policy content. For Oliver Stuenkel, China's pursuit of parallel institution building is strictly about distributions of power and political authority, rather than substantive policy or normative change (Stuenkel 2016b:1). New institutions are inherently about providing the BRICS states with greater leverage and enabling them to break rules when it is necessary, in a like manner to the United States. In exchange, they will increase their provisions of global public goods (Stuenkel 2016b:11) This is a transactional logic based on a social contract: the BRICS provide other countries with public goods and international institutions, in exchange for acquiescence when they deem it necessary to break the rules.

China's institutions are designed to "enhance its privileges" (Stuenkel 2016b:14). Similarly, for Zheng Wang, China's new institutions are about becoming "a leader with substantial influence", a path that was not available to it within the framework of existing institutions (Wang 2015:19).

A slightly different picture emerges from studies by James Paradise and John Ikenberry and Darren Lim. In Paradise's survey of China's parallel institutions, he argues that the Chinese government's primary goal is to enhance its participation in global governance, given the only partial success it has had at reforming existing institutions (Paradise 2016). But in addition, Paradise also suggests that China's parallel institutions "are infused, to some degree, with Chinese norms, values, standards and sensibilities" (Paradise 2016:163). Matthew Stephen and David Skidmore come to a similar conclusion based on their analysis of the AIIB and its relation to the liberal international order (2019). Likewise, in their examination of China's possible reasons for creating the AIIB, John Ikenberry and Darren Lim consider the role of factors such as wealth, political influence, status and prestige, and promoting national values or ideology (Ikenberry and Lim 2017). They see the AIIB as probably being driven by a range of motivations, including both pecuniary motives and enhancing Chinese influence and authority at the expense of the United States and existing institutions (Ikenberry and Lim 2017:11–13). Nonetheless, it is early days for the AIIB, and such interpretations are not universally shared (Flanagin 2015; Zhou 2015). But these studies do suggest that while China's parallel institution building may not represent a radically different social purpose of global governance, they have the potential to revise some of the norms and policy frameworks that remain embedded in established institutions.

Much more research is needed on the conditions and motivations behind parallel institution building, and many of China's institutions are yet quite new. Existing literature indicates that facilitative conditions for parallel institution-building include (1) an inability to realize ambitions in established institutions due to entrenched status quo coalitions (Morse and Keohane 2014; Urpelainen and Van de Graaf 2014); (2) the resources available to engage in the costly and risky task of institutional creation (Juppille et al. 2013); (3) the existence of strongly dissatisfied domestic actors within states that challenge to change the status quo (Urpelainen and Van de Graaf 2014); (4) nor-

mative divergence from established powers and institutions (Paradise 2016; Stephen and Skidmore 2019).

As yet, the work of classifying China's institutions according to their inter-institutional relationships, and explaining their emergence, is still in its infancy. In the future, research on China's parallel institutions could benefit from greater attention to theoretically-derived explanations and the assessment of the relative role of different explanatory factors. Four appear to be particularly promising.

First, the creation of substitutive or competing institutions suggests that power considerations play a central role. From a realist perspective, China is engaged in a power transition with the United States, in which established international institutions continue to represent the interests of the United States (Tammen et al. 2000; Tammen and Kugler 2006). China can be expected to use the full spectrum of its foreign policy to hasten its rise, militarily and economically. To the extent that established international institutions become roadblocks to altering the international distribution of power, they will become the object of Chinese revisionism. This might take the form of utilizing existing institutions to constrain US power, or 'soft balancing' (Paul 2005). Alternatively, such power plays may take the form of using creating new institutions (He 2008, 2014). This implies that (relative) power concerns are the driving forces behind China's parallel institution building. Evidence for a power-based explanation would be found in cases of China prioritizing geopolitical and military goals over alternatives, such as commercial or reputational interests. Power concerns would also suggest China will focus on building parallel institutions of the rivalrous kind.

Second, the role of functional gains-seeking should be taken seriously, even in the face of apparent efficiency costs of institutional proliferation. According to the assumptions of rational institutionalism, due to the costs of institutional set-up, and the uncertainty of their success, states should be inclined to utilize existing institutions to solve their cooperation problems. Urpelainen and Van der Graaf claim that parallel institution building is, therefore, puzzling from a rational institutionalist perspective (2014:799). But functional gains-seeking may be a powerful explanation of parallel institution-building if the established institutions in a given policy field are

under-performing. If parallel institutions are designed with purposes similar to existing ones but seek to improve on their performance or operate with greater efficiency, this would be a strong indicator that functional gains seeking is at play. This implies that China's parallel institutions will be either of a substitutive or reinforcing type.

Third, a strong case can be made for the roles of *status* concerns driving institutional behavior by rising powers such as China. Status refers to "collective beliefs about a given state's ranking on valued attributes (wealth, coercive capabilities, culture, demographic position, sociopolitical organization, and diplomatic clout)" (Larson, Paul, and Wohlforth 2014:7). The capability for organization and leadership is demonstrated very clearly through the initiation and support of new international institutions, and as such, may quickly alter the subjective beliefs of other members of international society. Status seeking may be a key feature of the foreign policies of rising powers such as China (Larson and Shevchenko 2010; Wolf 2014), and cannot be dismissed as an autonomous factor in motivating Chinese parallel institution building. Lincoln Hines, for example, argues that the creation of the AIIB was part of China's attempt to improve its status in the social hierarchy of the Asia-Pacific (Hines 2016), and China's Belt Road Initiative appears to have been very successful at capturing imaginations and provoking discussions around the world. Status-seeking via parallel institution-building would not carry clear implications about the type of institution that would result, aside from the need for these institutions to be *widely recognized* and *deemed successful* among the target audience. Evidence of unanimous decisions, highly visible displays of some valued good, or devotion of resources to cultivating a country's international image, would be indicators for status as a driver of parallel institution building.

Fourth, the very logic of institution-building suggests a key role for *legitimacy concerns* in the origins of parallel institution building. Patrick Cottrell recently suggested that delegitimated institutions are more likely to be subject to attempts to replace them (Cottrell 2009). This would suggest that parallel institution building may be a response to the legitimacy deficits of established institutions. The legitimacy deficits of established G7-backed financial institutions have been linked to Asia's financial regionalism drive (Sohn 2005). A related phenomenon is that the creation of parallel institutions may be a powerful way for powerful states to legitimate their preferences.

Why, after all, would states opt for a multilateral approach over uni- or bilateralism? And why would a powerful state such as China invest in institutions, and often bind itself to multilateral rules, when it could alternatively go it alone? Here, there are two logics at work. The first is the logic of self-binding, whereby China can reassure other states of its benign intentions by committing to rules and pooling influence over its policies via multilateral institutions (Chen and Liu 2017; Ikenberry 2001; Wolf 2014). This relies on a transactional understanding of legitimacy that emerges from a kind of social contract between powerful and less powerful states (Lake 2009). Second, there may be something inherently self-legitimizing about multilateralism itself, understood as policy coordination among three or more states in accordance with a generalized principle of conduct (Ruggie 1992). Multilateralism and institutionalization typically involve compromises. China's preferences will be deemed more legitimate if they are pursued through, and receive the blessing of, international institutions. The logic of legitimacy concerns suggests that where existing institutions are widely deemed to be legitimate, parallel institutions may copy their structures and practices. Where existing institutions are widely perceived as lacking legitimacy, parallel institutions will seek to correct their perceived failures. Legitimacy concerns may therefore be a key reason behind parallel institution building.

## **6. Implications of China's Parallel Institutions for Global Governance**

While existing literature has focused mostly on explaining the emergence of parallel institutions, the creation of a range of new institutions by a new world power raises the question of their broader impact. At this stage, it is far from clear what type of parallel institutions most of China's new institutions will turn out to be. The extent to which they take on rivalrous relationships to existing institutions, or promote social purposes substantively different from them, is still a topic of heated debate. Until this picture becomes clearer, the downstream effects of China's parallel institution building will be far from clear. There are nonetheless theoretical propositions that can provide insights into the likely implications of parallel institution building for existing institutions and the policy areas they regulate.

First, the construction of substitutive or competing parallel institutions will, by definition, have implications for the international distribution of political authority. At the same time, institutional proliferation in some policy fields may have other power-redistributive effects. The creation of new multilateral development banks, for example, can be expected to alter the terms of finance in favor of borrowing countries by providing them with greater forum shopping opportunities. This will also likely heighten inter-institutional competition for loan provision. The policy field of multilateral development finance thus also suggests that, in the absence of substantive conflict over social purpose, parallel institution building may be only a second-best strategy for a rising power seeking to redistribute political authority in its favor. This will be truer still if rising powers have already invested heavily in established institutions before turning to alternatives.

At the same time, the pursuit of a parallel institutionalist strategy by China may improve its exit options and convey it greater bargaining power to reform established institutions (Chen and Liu 2017; Zangl et al. 2016). This may operate as a spur to established powers to concede institutional reform in order to co-opt China into existing institutions. At the same time, however, the cultivation of exit options by dissatisfied states may ironically reinforce the status quo in established institutions. If the most dissatisfied members of an organization choose exit over voice, spurs to reform may evaporate and entrenched coalitions may reinforce their positions, albeit in a diminished institution (Hirschman 1970). Whether parallel institution-building facilitates or hinders the reform of established institutions remains an open question.

Second, institutional proliferation creates new opportunities for inter-institutional political action. Karen Alter and Sophie Meunier identify three forms of cross-institutional political strategies that are made possible by the existence of more than one institution operating in a given domain. These are forum shopping, regime shifting, and strategic inconsistency (Alter and Meunier 2009a:17). Forum shopping refers to actors' selection of the most favorable venue for their problem or goal. As argued above, this can erode the political authority of established institutions. Regime shifting refers to shifting an international policy process or activity from one international venue to another in order to alter the status quo (Helfer 2004:14). The possibilities for regime shifting will presumably be enhanced through the creation of new in-

stitutions in an already institutionalized environment. *Strategic inconsistency* is the creation of contradictory or incompatible rules between institutions with the intention of undermining the least preferred one (Raustiala and Victor 2004:301–2). This would only be a successful strategy if China’s parallel institutions take on rules of economic regulation that both differ and are equally or more viable than existing ones. Which of these inter-institutional effects takes place will depend heavily on the type of parallel institutions that China ultimately sets up.

In the long run, studies of parallel institution building will also have to consider not only how the new institutions relate to established ones, but how the new institutions interact with each other. Does the sum total of parallel institutions add up to a coherent institutional order, organized around coherent principles and operating in complementary ways? Or do parallel institutions emerge in a patchwork manner in response to specific features of the established institutional order, relieving pressures for its reform and resulting in a symbiosis of Western-centred and Sinocentric institutional orders? Whether intentionally or not, many theorists insist that state-societies ultimately transfer elements of their domestic systems to the global level (Katzenstein 1985; Kupchan 2014; Van der Pijl 1998). The fact that some parallel institutions appear to extend the influence of the Communist Party of China (Chow 2016; Zhang 2016) or post-Soviet strongmen (Khitakhunov, Mukhamediyev, and Pomfret 2016; Michel 2015; Roberts and Moshes 2015) suggests they are unlikely to simply replicate Western modes of organization. Or will they? It is frequently emphasized that the existing institutions have generated a robust set of dynamics—such as deep economic interdependence and a nascent global civil society—that exert strong material incentives and normative pressures to conform to fundamental scripts of market rationality and liberal political legitimacy (Ikenberry 2011; Meyer 2009; Stephen 2014). This would suggest that even competitive parallel institution-building faces strong systemic constraints.

## **7. Conclusion**

The rise of China in an already institutionalized status quo creates novel dynamics in the institutional order. Rather than constituting a rare exception, parallel institution-building constitutes a key tool in China’s multilateral strategies. This paper has drawn

on existing literature on China's institutional initiatives, and theory-guided literature on institutional proliferation, to develop a typology of parallel institutions. The type of parallel institutions China or other actors set up is informative of the factors account for their creation and is revealing regarding their downstream implications for the institutional environment and the policy fields they regulate.

The study of China's new institutions as parallel institution-building poses a set of new research challenges. Identifying parallel institutions is the first of them. Parallel institutions may be formal intergovernmental organizations, but they may also be informal, weakly institutionalized, and challenge traditional understandings of multilateralism. This paper has argued that qualitative judgments about salient actors and processes in a given policy field will play an important role in distinguishing parallel institutions from other forms of multilateralism. This admittedly sacrifices parsimony for comprehensiveness. But overlooking meaningful cases of parallel institution-building due to stringent criteria delineating formal from informal institutions, or multilateralism from bi- or unilateralism, may distort rather than clarify our understanding of China's institutional choices.

One avenue for future research is to develop and test more specific hypotheses about when and where parallel institution building is likely to occur in the context of international power shifts. As this paper highlights, existing accounts differ on this point. Moreover, it is not clear that theories developed to explain the creation of new formal, multilateral organizations will carry over, without modification, to the broader category of parallel institutions. Integrating insights from theories of international power shifts with the insights of regime complexity literature would be one path to explore. Another potentially critical line of inquiry will be to further historicize our understanding of parallel institutions. Parallel institution building is hardly new: the Cold War system generated competing institutional projects on either side of the iron curtain. Yet investigating how institutions have been founded in relation to existing ones may also play a critical role in expanding our understanding of the development of global governance since the mid to late nineteenth century.

Ultimately, future research will also need to shed light on the implications of parallel institution building. This encompasses how parallel institutions affect the struc-

tures and procedures of established institutions, what implications this has for governance in a given area, and ultimately how parallel institutions interact with each other across issue areas. Given the proliferation of parallel institutions, this emerging research agenda promises to deliver new insights into the rise of China and its effects on international politics, and beyond.

## Appendix

### I. Codebook on *China's Multilateral Initiatives*

Note on the Data: This dataset has been produced in order to gain a comprehensive overview of China's multilateral engagements in the years 1990-2016. To that end, existing data from the *Yearbook of International Organizations*<sup>vi</sup> and an article given out by the *Mercator Institute for China Studies*<sup>vii</sup> have been matched together. In addition, a news article search using *Lexis Nexis Academic* wielded additional results. The so-gathered data has been formatted into 5 variables.

#### *Name of Multilateral Initiative*

The variable is categorical and contains 25 observations.

In order to classify as 'multilateral initiative', two criteria have to be fulfilled. One, in some form or the other, the government of the People's Republic of China, has to be involved in the creation of the 'multilateral initiative' (thereby discounting observations such as civil-society organizations or non-profits with no state- involvement). Two, any initiative must manifest in some physical way (annual summits, ministerial conferences, registering an IGO, signing a treaty etc.).

As an example, the proposed *Nicaragua Canal* has failed to register on both counts. As of March 2018, there has been no sign of a concrete treaty signature or any concerted efforts to build said canal.<sup>viii</sup> Second, there has been no clear sign that the municipal government of Hong Kong or the Chinese governments, respectively, have taken any measures to be involved in the project.

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<sup>vi</sup> (Eds.). (n.d. ). *Yearbook of International Organizations 2016-2017, Volume 6*. Leiden, Niederlande: BRILL. Retrieved Mar 16, 2018, from <https://brill.com/view/title/33166>

<sup>vii</sup> Heilmann, S., Rudolf, M., Huotari, M., & Buckow, J. (2014). China's shadow foreign policy: parallel structures challenge the established international order. *China Monitor*, 18, 28.

<sup>viii</sup> It is correct that the Nicaraguan National Assembly approved a bill creating certain managerial rights and a financial pool for the project in tandem with a privately owned construction company in Hong Kong. However, this does not show that there is any state-led involvement by the Chinese government. Over all, there are mounting news reports that the canal will not be build, see for example: <https://www.elfinancierocr.com/economia-y-politica/incertidumbres-financieras-desvaneceno-sueno-de/7HFF44CY3RBVVE7BR3YRKJ3XZY/story/>

### *China's Role*

Numerical variable with four values. 1 = “Co-Founding Member”, 2 = “Founding Member”, 3 = “Leading Role”, 4 = “Sole Initiator”

This variable measures the level of ‘institutionalization’ of China’s initiative, whereby **low scores** reveal **high levels of institutionalization** (such as being member-state to an intergovernmental organization) and **high scores** signal **low or non-existent levels of formal institutionalization** (charting an informal congress, series of ministerial summits etc.) Additionally, the value 4 is given when the Chinese government acts in **an informal unilateral way** but the ‘initiative itself will yield multi-lateral effects’ (unilaterally hosting a world internet conference, creating a payment system in Renminbi open to private users in other countries etc.)

<b>FREQUENCY</b>	<b>NUMERIC LABEL</b>
<b>1</b>	Co-Founding Member
<b>9</b>	Founding Member
<b>11</b>	Leading Role
<b>4</b>	Sole Initiator

### *Issue Area*

The variable is categorical. It can take the form of “Economy”, “Security”, and “Multiple”. To be classified as such, the **main purpose** of the organization or initiative was taken as the precursor to the category. In cases where there was no clear pattern, the variable takes the form “Multiple”. If there was one overarching *issue area* and in later years the organization or initiative explored another smaller *issue area*, the variable still is named for the former one (as in the case of SCO for example).

### *Notes*

Denotes the purpose of the institution or initiative.

### *Year*

Lists the year in which there was the first recorded meeting (for informal initiatives) or treaty signing (for IGOs). When an IGO was formed after an informal meeting, it will be highlighted in the notes. In this case, and only if the so-formed IGO is not an independent initiative to the forgone multilateral engagement (meaning that the IGO will **override** the informal meeting and not complementing it), the year given will be the recorded meeting. That is why, for example, the Asia Pacific Space Cooperation Organization (APSCO) is listed as created in 1992 (when the official IGO was signed in 2005). And likewise, AMRO is listed as being created in 2016. Although, the prior CMIM initiative happened in 2012. In the case of CMIM and AMRO, two separate entries are therefore needed.

## **II. Description and Literature Review of China's Multilateral Initiatives**

### *Security*

One of China's first steps towards new institution building came in 1999, when it signed on to the Conference on Interaction and Confidence-Building Measures in Asia (CICA). A product of the Soviet collapse, the CICA was first proposed by the government of Kazakhstan at the United Nations originally in 1992. It reflects the concept of a "Eurasian" space and has promoted some limited coordination over terrorism (Allison 2004:481). With the United States and Japan as observers, China and Russia assume central roles (Mu 2014). It replicates some of the tasks of the ASEAN Regional Forum (ARF), an informal dialogue on security and confidence-building founded in 1994, which includes non-Asian participants such as the European Union and the United States (Emmers and Tan 2011; Johnston 1999; Katsumata 2006). The SCO and CICA have been identified as institutional mechanisms for China to counter US military alliances in Asia (Wang 2015:17).

China has also been particularly active in promoting the Shanghai Cooperation Organisation (SCO) as a key security institution in Asia (Aris 2011; Yuan 2010). It emerged in 1996 as the "Shanghai Five" between Russia, China, and three Central Asian countries. Since June 2017, India and Pakistan joined the group as full members alongside China, Russia, and four Central Asian countries. The SCO fosters security and intelligence cooperation between its members, but has expanded its remit to include new areas such as extradition treaties and rules governing so-called 'international information security'.<sup>ix</sup> Applications by the United States for observer status have been rejected. For critics, the SCO promotes authoritarian rule (Ambrosio 2008). According to Alison Bailes, the SCO "explicitly rejects both European ('Western') and global norms of human rights, political liberties, good governance in general, and the right

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<sup>ix</sup> Described by the NATO Cooperative Cyber Defence Centre of Excellence: "Whereas the SCO Member States believe that content is a potential security threat and should be regulated, the 'Western consensus' considers this level of content regulation to be a threat to fundamental human rights." <https://ccdcoe.org/sco.html>

and duty both of states and international institutions to intervene in other states' internal abuses" (Bailes 2007:16). These institutions have emerged alongside existing mechanisms such as the 1992 Tashkent Collective Security Treaty, a mutual defense pact created under the umbrella of the Commonwealth of Independent States. Promoted strongly by Russia, in 2002 it was upgraded to a formal international organization in the Cooperative Security Treaty Organization (CSTO). Russia uses its membership in each of these institutions to preserve friendly regimes in the regime and limit external influence (Frost 2009).

### *Regional and Inter-regional Forums*

Another facet of China's new multilateral initiatives in its early phases was the construction of several (inter-)regional forums and dialogue platforms for international cooperation in the global South (Sohn 2012). While these platforms are typically broad, informal mechanisms that promote only shallow cooperation, they must be seen in the context of China's growing enthusiasm for multilateralism in Asia as a path to greater international influence, overcoming its earlier fears of being ganged-up on by smaller powers (Breslin 2010:718–27; De Santis 2010; Shambaugh 2013:95–105; Yuan 2001). While the initial phases of China's regional multilateral diplomacy focused on greater engagement with existing institutions, most notably ASEAN (ASEAN Plus Three and the ASEAN Regional Forum) and the East Asian Summit (Breslin 2008; He 2014; Hund 2003; Stubbs 2002), it has increasingly taken the lead in exercising organizational leadership and establishing new platforms for regional dialogue.

In Asia, at the more formal and institutionalized end of this spectrum is the Asia Cooperation Dialogue (ACD), an inter-governmental organization founded by China and 17 other Asian countries in 2002. It was proposed initially by Thailand and is designed to provide a pan-Asian platform of dialogue on economic integration and foster collaborative projects (Bunyavejchewin and Nimmannorrawong 2016).<sup>x</sup> As China's economic interests with non-Asian regions have expanded, so has China's readiness to exercise institutional influence via China-centered regional forums. One of the earliest took place in Beijing in 2000 with the inaugural Forum on China–Africa Coopera-

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<sup>x</sup> <http://www.acd-dialogue.org/about-acd.html>

tion (FOCAC) (Alden 2005; Taylor 2011). This model of triennial hub-and-spokes consultations has since been replicated in other world regions, via the China-Arab States Cooperation Forum (first convened in Cairo in 2004)<sup>xi</sup> (Jalal 2014; Yao 2014) and the China-CELAC Forum between China and the countries of the Community of Latin America and Caribbean States (first held in Beijing in 2015), directly imposing into the United States 'backyard' (Yu 2015).

The most prominent of China's inter-regional forums is the annual BRICS Summit and its associated working groups and forums. While BRIC foreign ministers first met as a group in 2006, this informal club of major emerging economies went through a process of rapid institutionalization and met for the first time at heads of government level in 2009 (for overviews, see Chin 2015; Cooper 2016; Stuenkel 2013). In addition to the annual leaders' summit, the BRICS format has grown to encompass foreign ministers' summits, intergovernmental national security meetings, a BRICS Business Forum, and (since June 2017) a BRICS Political Parties, Think-tanks, and Civil Society Organizations Forum. In this format, the BRICS summits have come to resemble the Group of Seven (G7) summits of major industrialized countries.

At the same time, China has breathed new life into Asian track-two diplomacy.<sup>xii</sup> In 2001 China initiated the Bo'ao Forum for Asia, a non-profit foundation registered in China for annual gatherings of governmental, business and academic elites from Asia and abroad (Bo'ao Forum for Asia 2001).<sup>xiii</sup> It is modeled as an Asian answer to the World Economic Forum in Davos, Switzerland, it is designed to be "led by Asians and guided from perspectives of Asian interests and views...".<sup>xiv</sup>

China has also cooperated with other ASEAN Plus Three countries to create the Network of East Asian Think-tanks (NEAT), which receives government funding and had its founding conference in Beijing in September 2003, and it is dedicated to "support, promote, and develop the ideas of East Asian cooperation and regionalism" (NEAT 2009). These initiatives are not public enough to meet most definitions of formal mul-

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xi In an example of parallel institution building by an established power, in 2012 an inaugural United States-Gulf Cooperation Council Strategic Forum (SCF) was established.

xii Track two diplomacy refers to informal international contacts and activities between non-governmental bodies and individuals.

xiii <http://english.boaoforum.org/gyltbjjsen.jhtml/>

xiv <http://english.boaoforum.org/gyltbjjsen.jhtml/>

tilateralism, but they do depend on international recognition and participation. They can be seen, along with the international proliferation of Chinese media, Chinese think tanks, and cultural Confucius Institutes, as part of China's conscious attempt to build "soft power" (Dingding 2015; Mingjiang 2008; Nye 2005; Shambaugh 2013:210–16).

### *Finance*

As China's institutional initiatives have matured, it has begun to set up new bodies that, to varying extents, replicate the policy functions of already existing institutions. The International Monetary Fund (IMF), a keystone of the post-war economic order, has three core policy functions: research and policy advice, multilateral surveillance of global financial and economic risks, and crisis lending. Each of these policy domains has come within the purview of new institutions in which China plays a major role (Sohn 2013).

In 2015, the BRICS countries established a Contingent Reserve Arrangement with a reserve pool of US \$100 billion, designed as a pool of credit for BRICS states to access in times of short-term balance of payments pressures, although it is of primarily symbolic value (Biziwick, Cattaneo, and Fryer 2015; Eichengreen 2014; Henning 2017:102). China has also been involved in the much bigger Chiang Mai Initiative Multilateralization (CMIM) among the finance ministries and central banks of the ASEAN countries, China, Japan, and South Korea (ASEAN Plus Three), with a reserve pool of US \$240 billion (Henning 2017; Sussangkarn 2011).<sup>xv</sup> The CMIM is a successor to the earlier Chiang Mai Initiative (2000–2010), a series of bilateral swap arrangements which was a legacy of Japan's failed attempt to push for an Asian Monetary Fund after the Asian Financial Crisis in 1997 (Biziwick et al. 2015:12–13; Lipsky 2003). These initiatives replicate the crisis lending policy function of the IMF, but each includes clauses linking disbursements to the engagement of the IMF.

This has been complemented since 2011 by an ASEAN Plus Three (APT) surveillance facility called the ASEAN Plus Three Macroeconomic Research Office (APT AMRO), which was upgraded to the status of a full international organization in February 2016

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<sup>xv</sup> <http://www.bsp.gov.ph/downloads/Publications/FAQs/CMIM.pdf>

(Grimes 2015; Rana, Chia, and Jinjarak 2012). Its offices are in Singapore. Its surveillance function focuses on Asia but overlaps with the IMF's surveillance mandate. This and other "regional financial arrangements" (Henning 2017) are therefore often seen as steps towards an Asian IMF (Grimes 2011; The Japan Times 2016). They may also encroach on the role of the Executives' Meeting of East Asia-Pacific Central Banks (EMEAP) as an informal forum for central bank cooperation.

In addition, China has taken several concrete steps to promote the Renminbi as international currency (Chen and Cheung 2011; Eichengreen 2011). One step has been the creation, announced by the People's Bank of China in March 2015, of the Cross-Border Inter-Bank Payments System (CIPS) for international payments denominated in renminbi (Borst 2016). The Chinese central bank describes CIPS as a "payment super-highway" for financial transactions such as trade settlement, direct investment and fund transfers (BNP Paribas 2016). It is designed to reduce transaction costs of international trading in renminbi and alleviating compatibility issues between the global Brussels-based SWIFT<sup>xvi</sup> network and China's own China National Advanced Payment System (CNAPS). It also has security implications, as the United States has used its influence to pressure EU countries into pressuring the SWIFT cooperative to deny access to Iranian banks at the time of UN economic sanctions against Iran.<sup>xvii</sup>

An additional element in China's new financial infrastructure is China UnionPay (Wu 2012). China UnionPay started as a domestic bank card payment system and maintained until October 2015 a state-sanctioned monopoly over card payments there. In terms of total transaction value, China UnionPay has become the largest bank card group in the world, accounting for over a third of the US \$21.6 trillion payments market. On the other hand, its international presence is still minor, claiming just 0.5 percent of the global market, while Visa and Mastercard continue to represent over 80 percent (Weinland and Wildau 2017). It is nonetheless fast-expanding, particularly in developing countries, and its cards are accepted in over 140 countries worldwide.<sup>xviii</sup> Such initiatives appear to be important steps assisting in the internationalization of

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<sup>xvi</sup> Society for Worldwide Interbank Financial Telecommunication (SWIFT).

<sup>xvii</sup> [https://www.swift.com/insights/press-releases/update\\_iran-sanctions-agreement](https://www.swift.com/insights/press-releases/update_iran-sanctions-agreement) ; <https://www.swift.com/about-us/legal/compliance/swift-and-sanctions#HasSWIFTeverdisconnectedbanksforsanctionsposes?>

China's currency, while at the same time weakening US companies' grips on global financial infrastructure and the "structural power" that this confers.

Finally, China has taken steps, in collaboration with international partners, to construct alternative global credit ratings (Mennillo 2017). Despite frequent criticism of their impartiality and accuracy, the global market for credit ratings is still overwhelmingly dominated by the "big three" Western credit rating agencies (CRAs): Standard and Poor's Ratings Services, Moody's Investor Services, and Fitch Ratings. In addition to the development of major Chinese CRAs such as Dagong Global Credit Rating, China has also supported the creation, in June 2013, of the Universal Credit Rating Group based in Hong Kong. Registered as a private shareholding company, it is a joint venture of Dagong Global Credit Rating Company in China, founded by the People's Bank of China and the State Economic and Trade Commission of China, RusRating JSC, a credit rating agency authorized by Russia's Central Bank, and Egan-Jones Ratings Company, a US-based private company. In addition to this cornering of a lucrative global market by American companies, there are considerable concerns in China and Russia at the alleged bias of Western CRAs. The Chairperson of Dagong, Guan Jianzhong, has accused established CRAs of political bias in their sovereign ratings and stated that Dagong focuses more narrowly on repayment capacity. "In the western countries, they use the credit rating as a tool to protect their own profits, their own interests," according to Guan Jianzhong (Tanas 2016).

### *Internet Governance*

Given the internet's transformational role in modern society and economics, the emerging field of transnational internet governance has been the site of contending transnational governance initiatives in which China has attempted to take a leading role (Drissel 2006; Mueller 2017). While the internet governance regime reflects a "multi-stakeholder" model of governments, private companies, and non-governmental organizations, it is United States companies (such as Google), regulators (such as the US Department of Commerce) and semi-private bodies (such as the Internet Corporation for Assigned Names and Numbers, ICANN) that have exercised predominant influ-

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xviii <http://www.unionpayintl.com/sg/mediaCenter/newsCenter/marketUpdate/3008689.shtml>

ence (Ebert and Maurer 2013). China has pushed, together with Russia and other countries, for a model of “information security” and “internet sovereignty” that differs from the access and free speech emphasis of most Western countries (Maurer 2011). While China has advanced its own positions within the UN’s UN-based World Summits on the Information Society and the Internet Governance Forum (created 2006), it has also taken the lead in creating the annual Wuzhen-based “World Internet Conference”, a multi-stakeholder forum inaugurated in 2014, in which the Chinese government projected its leadership ambitions alongside Chinese internet corporations such as Huawei and Alibaba (Shen 2016).

### *Space Technology*

China has played a leading role in fostering the creation of the Asia-Pacific Space Cooperation Organization, a formal IGO with currently eight member states. Its founding convention was signed in 2005 and commits its signatories to promote collaboration in peaceful applications of space science and technology. Located in Beijing, it resembles many features of the European Space Agency (established in 1975). It exists alongside platforms such as the United Nations’ Committee on the Peaceful Uses of Outer Space (COPUOS), set up by the General Assembly in 1959.

### *Trade and Investment Treaties*

As economic opening-up has been central to China’s economic modernization, it first prioritized accession to the World Trade Organization. But beginning in the early 2000s, China also began to seek free trade agreements and bilateral investment treaties with other countries (Jiang 2010; Song and Yuan 2012; Zeng 2010, 2015). Today, in addition to over twelve bilateral preferential trade agreements, a further nine under negotiation, and the trilateral China-Japan-Korea negotiations,<sup>xix</sup> China has become a strong advocate of the Regional Comprehensive Economic Partnership (RCEP), a proposed preferential trade agreement between the ten ASEAN countries and six other countries which account for around 40 percent of world trade (Das 2013; Parameswaran 2016).<sup>xx</sup> The RCEP’s areas of negotiation include trade in goods, services, invest-

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<sup>xix</sup> [http://fta.mofcom.gov.cn/english/fta\\_qianshu.shtml/](http://fta.mofcom.gov.cn/english/fta_qianshu.shtml/)

<sup>xx</sup> India withdrew in November 2019.

ment, intellectual property, competition policy, and dispute settlement (Ravenhill 2016). The RCEP was frequently perceived as a regional rival to the United States' initial championing of the ill-fated Trans-Pacific Partnership (TPP), from which China was excluded (Song and Yuan 2012; Wilson 2015). China has also expressed interest in promoting the Free Trade Area of the Asia-Pacific (FTAAP) under the auspices of the Asia-Pacific Economic Cooperation (APEC). As the United States under President Trump appears to have abandoned further trade liberalization, China now appears as the uncontested center of trade liberalization in Asia. While RCEP and TPP have been seen as competing economic integration projects, all of them replicate the policy functions that are performed by the World Trade Organization.

#### *Multilateral Development Banks*

Finally, two of the most widely-discussed of China's new institutions are new multilateral development banks, the AIIB and the BRICS' (Brazil, Russia, India, China, and South Africa) New Development Bank. These institutions operate in the same policy field as Western-dominated legacy institutions, such as the Asian Development Bank and the World Bank. The New Development Bank has its origins in intra-BRICS cooperation (Eichengreen 2014; Humphrey 2015; Qobo and Soko 2015; Reisen 2015). Its founding treaty was signed at the sixth BRICS Summit in Brazil in July 2014. Its stated purpose is to fund infrastructure and development projects "in BRICS and other emerging economies and developing countries."<sup>xxi</sup> It has an initial subscribed capital of \$50 billion and an initial authorized capital of US\$100 billion and is located in Shanghai. The AIIB, opened in 2016, developed from plans within the Communist Party of China and is open to all countries (Chin 2016; Hameiri and Jones 2018; Stephen and Skidmore 2019; Yu 2016; Zhou 2015). These new banks have been seen as "a direct alternative and challenge to the 70 years-old Bretton Woods system" (Heilmann et al. 2014:6).

#### *Belt Road Initiative*

The AIIB appears to have grown out of China's broader plans for an international infrastructure push under the umbrella concept of the One Belt, One Road (later restyled

as the Belt Road Initiative [BRI]). The BRI would expand and diversify the physical hardware of global commerce in China's near and far abroad, diversifying Chinese trade routes, fostering economic integration with China, building physical infrastructure, and providing an outlet for Chinese surplus capital, all the while fostering the emergence of a Sinocentric economic space in Eurasia (Callahan 2016; Wang 2016; Yunling 2016). In some respects, the BRI has displaced earlier initiatives such as Russia's Eurasian Economic Union, the stalled TPP, or the United States' New Silk Road (announced in 2011), which was largely focused on integrating Afghanistan and its neighbors (Brugier 2014; Mcbride 2015). The BRI includes a Silk Road Fund (established in 2014) with an initial capital of US\$40 billion,<sup>xxii</sup> increased by \$124 billion in May 2017.<sup>xxiii</sup> Under the auspices of the BRI, China has now held two global summits styled as the Belt and Road Forum. The first was held in Beijing in May 2017 and was attended by representatives of at least 57 countries.<sup>xxiv</sup> A second was held in April 2019.

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xxi <http://www.ndb.int/download/Agreement%20on%20the%20New%20Development%20Bank.pdf>

xxii <http://www.silkroadfund.com.cn/enweb/23775/23767/index.html>

xxiii <https://www.reuters.com/article/us-china-silkroad-africa/china-pledges-124-billion-for-new-silk-road-as-champion-of-globalization-idUSKBN18A02I>

xxiv <http://thediplomat.com/2017/05/belt-and-road-attendees-list/>

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**Friederike Luise Kelle, Mitja Sienknecht**

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TO FIGHT OR TO VOTE:

Sovereignty Referendums as Strategies in Conflicts over  
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