

The Asian Infrastructure Investment Bank and China's Strategic Course

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Creating the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank initiated by the People's Republic of China, has been one of the key symptoms of Xi Jinping's ambitious "China Dream" foreign policy. The previous studies mainly focused on providing a description of AIIB's creation or general motives and context through which they explicated the establishment of the Bank. Building on the literature focused on strategic culture and grand strategy, I supplement the general motives of AIIB's creation by characterizing the style and process of AIIB's materialization. I argue that the style (procedure) of AIIB's implementation largely resembles the previous Dengian model of strategic procedure which Deng himself described with the Chinese saying "crossing the river by touching the stones" which evinces flexibility and "step-by-step" characteristics in its procedure. This helps to illustrate that China's engagement with the international order can be adaptive to a significant degree and China does not necessarily follow a pre-planned vision of how to take over international (institutional) order. While China's foreign policy in some areas is often regarded as being assertive and rigidly defending its positions, AIIB is a different case to a high extent. Moreover, analyzing the creation of AIIB indicates ambiguity of Xi's foreign policy regarding general aims it wants to achieve and identities on which it should be based.

Keywords: Asian Infrastructure Investment Bank, China Dream, Belt and Road Initiative, Xi Jinping, Chinese foreign policy, grand strategy

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Introduction¹

Since Xi Jinping's accession as a new leader of the People's Republic of China (China, PRC) at the turn of 2012 and 2013, China has been pursuing a more ambitious foreign policy.² During his first year as the head of the country and the Communist Party of China (CCP), Xi introduced a very aspirational foreign policy program. His slogan of "China Dream," expressing the ambitions of rejuvenating the Chinese nation and its position in international politics, paved the way for projects which can be regarded to be unprecedented in China's foreign policy. The Asian Infrastructure Investment Bank (AIIB),³ a multilateral development bank initiated by China, is one of them and can be understood as one of the key symptoms of the changing character of China's strategic course in international affairs. It was for the first time that China led a process of establishing an international institution with global reach. Not only was it supposed to support China's Belt and Road Initiative (BRI), but also to influence and (co-)define international order and its institutional structure. As such, the establishment of AIIB could be understood as a crucial testing case for understanding China's foreign policy. Hence, I ask and examine how China's strategic course evolved in China's approach to the establishment of AIIB.

China's ambitions connected with AIIB's creation stimulated a debate of whether China is a revisionist or status quo player in international affairs with many authors arguing for the former option. In their view, China's revisionism can be characterized by some or all of the following aspects: contradicting Western actors' practices, interests and diplomatic initiatives; building its own distinctive institutional framework separated from the existing liberal-order institutions; limiting the influence of Western actors; becoming more assertive; and following a specific blueprint based on the previous points.⁴ However, a few authors have problematized such a view. Wilson⁵ and de Jonge⁶ draw our attention to the evolving relationship between the Bank and liberal order as they show that both entities have been influencing each other. Hameiri and Jones⁷ point to the role of multiple Chinese actors that tried to influence AIIB and link up their interests with AIIB. This paper aims to contribute to the latter stream of literature. These works indicate that a closer inquiry into the evolution of AIIB in connection to China's foreign policy is needed and imply that explaining AIIB's creation through stressing China's general (strategic) motives, as it is done in various papers, is not sufficient by itself.

To understand AIIB's role in international affairs and explicate AIIB's significance as well as the process of its creation, this paper examines the strategic course of China's foreign policy (mainly represented by the top political elites) in relation to the process of AIIB's implementation. Being inspired by the literature of grand strategy and strategic culture, I will argue that the style (procedure) of AIIB's implementation largely resembles the previous Dengian model which Deng himself aptly described with the Chinese saying "crossing the river by touching the stones" (*mozhe shitouguo he*).⁸ It follows an incremental attitude towards forwarding the state's strategic direction and evinces "step-by-step" characteristics. This helps illustrate that when it comes to AIIB,

China's engagement with the international order has been adaptive and conciliatory to a significant degree and has not necessarily followed a coherently sustained plan.

Whether coming from an academic, policy or think tank environment, authors who previously explained AIIB usually focused on providing a description of AIIB's creation and/or general motives and context through which they explicated the establishment of the Bank.⁹ However, witnessing how AIIB developed from an initial proposal in 2013 to its ceremonial launch in January 2016 as well as how it operated during the first three years after the inauguration, i.e. from 2016 to 2018, we might ask how the Bank's form and shape evolved and might want to complement the general motives of AIIB's creation by characterizing the process of AIIB's materialization. Examining these topics will indicate some ambiguity of Xi's foreign policy regarding general aims it wants to achieve and strategic identities on which it should be based.

The paper proceeds as follows. In the next (second) part, I specify my analytical approach. The third part introduces a structural strategic characterization of China's approach under Xi Jinping which sets the stage for the analysis of AIIB's evolution in the subsequent parts. The fourth part analyzes the process of AIIB's creation until its official launch. In the fifth part, the Bank's operations during the first three years after the launch is examined.

Analyzing Strategic Course of China's Foreign Policy

Drawing on the literature on grand strategy and strategic culture, it is possible to distinguish three key components which constitute an actor's strategic course, i.e. the strategic path it follows. These are grand strategy, strategic (international) identity and strategic style. While the literature on grand strategy and strategic culture does not usually connect all the mentioned elements into one analytical framework, it suggests linkages among all of them.¹⁰ Being inspired by Colin Gray's strategic culture for context and his view on a nexus between ideas and behavior,¹¹ I try to connect structural (relatively static) dimensions of analysis, represented here by grand strategy and strategic identities, with a more dynamic dimension of strategic style. While structural characteristics and motivations connected with BRI and AIIB have been well described in academic literature, I focus on strategic style to elucidate how China's strategic course unfolded through developing AIIB.

Grand strategy can be understood as a bedrock of a state's policies and development of itself in international affairs. I analyze grand strategy as an (implicit or explicit) outline or a plan¹² involving key goals and means, connections between them and preferences about them. As conceived here, a state's (strategic, international) identity embodies an understanding of itself, one's own position in international politics as well as its relationship to (or demarcation against) others. As such, both grand strategy and strategic identity are closely related and express different aspects about a state's international role. The former expresses a strategic setting proposed by a specific leadership while the latter relates to broader traditions of a state's foreign policy. They

form a background against which AIIB's actual development will be assessed.

Strategic style relates to the actual implementation of a specific project and, hence, analytically complements grand strategy and strategic identity.¹³ I conceive of strategic style as an abbreviation for a state's approach to forming strategic issues which captures procedure and key characteristics of such a development. When analyzing strategic style, researchers often face a methodological dilemma. While the ideal way would be to examine actual decision-making including its constraints, it is often impossible to do so, especially if an analyzed case is very recent and the political regime is authoritarian. A potential work-around, which is adopted in this paper, is to use auxiliary reasoning, observing related effects and happenings.¹⁴ This will be done through the following analytical questions.

- How is a specific project (AIIB in our case) related to a strategic setting, i.e. grand strategic plan and identities? In what ways does it utilize such sources? How is it related to a broader (international) strategic environment)?
- How is a specific project officially presented and demarcated? What are key shifts or continuities?
- How does a given actor (China) react to other actors' reactions to a concerned project?

Attention to the propensity for conflict, a degree of adaptation and flexibility, consistency (integrity) of one's approach or a level of ambitions,¹⁵ then, serve to further sensitize the analytical questions.

Hence, when examining strategic style during the establishment of AIIB (fourth and fifth part), I firstly discuss AIIB's development *vis-à-vis* China's strategic outline, goals and means, then its relationship to strategic identities and, partly, to other aspects of a broader strategic environment. As I move from the very beginning of AIIB to its actual operation, I also pay attention to Chinese reactions to other actors and their views.

Changes in China's Strategy Course: A Strategic Setting

This part summarizes changes in China's political and strategic orientation under Xi Jinping's leadership. By addressing China's strategic identities and grand strategic vision, it expounds key outlines of a strategic setting from which AIIB unfolds. Because Xi's strategy involves reconsideration of the previously established Dengian strategic consensus as one of its defining features, it will be appropriate to briefly introduce the Dengian course. Although the reconsideration of the Dengian strategic course partly evolved even before Xi, it is only during Xi's rule that it has become fundamental for understanding China's foreign policy.¹⁶ As I show below, while the Dengian strategic course was defined by a congruence among strategic identity, grand strategic plan and strategic style, the interconnection among these elements has been less clear under Xi.

Deng Xiaoping replaced the Maoist understanding of the world based on class

struggle by the paradigm of development connected with the strategic identity of China as a developing country according to which the key goal is to pursue its socio-economic development together with, rather than in opposition to, international order.¹⁷ Following the reorientation of China, Deng came up with the strategy of keeping a low profile. The strategy presupposes that China should develop peacefully, devote its energy and resources to economic development instead of confrontation with the West, and find ways to strengthen its relations with the Western international order. The strategic style dominant during Deng's rule corresponded with the character of the strategy. It was explicitly expressed by Deng with the help of the Chinese saying "crossing the river by touching the stones."¹⁸ The guideline postulates that it is necessary to make incremental steps while adjusting one's course. It is also partly a trial-and-error approach as it presupposes that some steps will not find support and will need to be corrected. At the same time, it evinces strong characteristics of incrementalism as it relies on gradual (sequential) advancement. In short, this strategic style entails a high level of adaptation to others' reactions, broader environment and feasibility (profitability) of specific policies, flexibility, avoiding conflicts and down-playing ambitions. In Deng's era, the style of implementation especially influenced the key issue area of economic reforms as well as a general strategic orientation while some authors argue about its relevance for other policy areas as well.¹⁹

Instead of the single dominant identity present during the times of Deng, it was possible to distinguish at least three of them at the turn of Hu Jintao's and Xi Jinping's rule. It is remarkable that even during fora that were supposed to provide guidelines for Xi's foreign policy (the Work Forum on Chinese Diplomacy Towards in 2013 and the Central Conference on Work Relating to Foreign Affairs in 2014), Chinese leadership referred to all three of them.²⁰ Hence, while I introduce their characteristics here, it will be very important to see how China's foreign policy built on them when initiating AIIB.

These are: 1) developmental, 2) Asianist, and 3) great power identity.²¹ 1) The identity of a developing (and developmental) country was strongly established during Deng's rule largely stemming from the previous China's attachment to the third world (the so-called theory of the three worlds). As partly indicated, the developmental identity portrays China as relatively weak and under-developed and postulates the need for socio-economic development together with the Western-led international order. Although the identity contains a certain level of suspiciousness in relation to the West as the West is deemed responsible for various kinds of harm and injustice in international affairs, the West is also seen as a model for modernization in many respects. 2) The Asianist identity claims that the main framework for China's actions is Asia. China should pay the greatest attention to the region even if it might damage or diminish relations with Western countries. According to its proponents, China should be a leader of the region in which Asian problems should be dealt with by Asians and security should be provided by Asians for Asians. 3) The great power (major country) identity sees China as one of the great powers in international politics influencing the international system, order and distribution of power. As such, China should act and contribute to political, security and economic management on a global scale.

Contours of Xi Jinping's grand strategy can be introduced generally and in connection to BRI and AIIB. From the most general point of view, Xi Jinping's grand strategy as it has evolved is concentrated around the following aspirations: 1) increasing China's power resources including wealth and military power, 2) gaining more influence in international affairs, 3) improving China's status and legitimacy recognition as a significant international player.²² What is connected to these aspirations is a double-edged relationship to the Dengian strategic approach. While China's development closely attached to and benefited from the Western-led international order and win-win relations are still cherished as a general precondition for China's continuing rise and a tool for mitigating others' (potential) overreaction to it,²³ Xi's foreign policy clearly aspires for a greater role in international affairs. It "strives for achievement" (*fenfa youwei*) and pursues "pro-active" (*gengjia jiji, gengjia zhudung*) foreign policy.²⁴ Moreover, Xi's foreign policy is also set apart from the Dengian strategy by an increasingly vehement defense of specific Chinese interests as it expressed through the official discourse interconnection sovereignty, security and development, which has appeared since the late 2000s.²⁵ Shifting China's strategy was arguably understood as even more urgent due to Xi's adoption of the previous analysis of CCP according to which the first two decades of the 21st century will provide China with a major window of strategic opportunity for realizing ambitions.²⁶ As such, the Dengian dictum of biding our time turned into an outdated notion. One of the main tools for achieving the aforementioned general goals and taking advantage of the window of opportunity was to actively shape the existing international order through materializing significant and concrete steps.

Considering a more specific side of China's grand strategy, BRI and AIIB were intended to be the main steps for realizing the aspirations and achieving the China Dream. It is necessary to bear in mind that at least initially, AIIB was strongly connected with the China Dream and BRI. The relationship between them was explicitly recognized and highlighted by China's foreign policy.²⁷ They were underpinned by a couple of mutually supporting rationales. 1) Connecting less developed Western regions of China with expected international trade routes, BRI should help them with their economic progress. 2) Establishing an international network of economic partnerships is expected to help when it comes to China's overcapacity in some sectors of the Chinese economy (especially construction and civil engineering) and China's excess capital as China's industrial capacities as well as capital should be exported more easily. 3) By providing the regional countries with a stronger economic cooperation framework, BRI might serve as a tool for conflict management especially in relation to the countries in Southeast Asia with which China has various disputes (often related to the South China Sea).²⁸ 4) It can help counterbalance the U.S. pivot to Asia. 5) Connected with the previous motives, China probably realizes that a further geopolitical expansion eastward might be difficult due to its aim to cultivate its westward connections. Because AIIB is created as a concrete tool of BRI and is expected to finance specific projects within it, the previously mentioned motives can be regarded as applying to this as well. However, a few specific ones may be added. AIIB may help to 1) internationalize China's currency and 2) increase pressure for reforming global economic institutions (specifically e.g.

voting shares at IMF).²⁹

Thus, the above structural outline suggests that China could be understood as a (potential) revisionist as argued by literature mentioned in the introductory paragraphs. New identities, including that of a great power or an Asian leader, coexisted with Xi's general aspirations to increase China's power, influence and legitimacy, his more active approach and specific strategic motivations backing BRI and AIIB.

Creating the Asian Infrastructure Investment Bank

AIIB's relationship to the strategic setting (grand strategy and strategic identities) and its official presentation at the initial stage of its development (around 2013 and 2014) shall be introduced first. Initiating AIIB could be seen as a concrete step for pushing forward China's own visions about regional order with itself at its center.³⁰ China's own rhetoric supported this as it portrayed AIIB as a tool for exerting pressure on the West and contributing to a change in international order. China aimed to "democratize" and "reform" international (economic). Although China had raised similar claims before, they were supported by a very specific action (i.e. creating AIIB) this time. Fitting into Xi's risk-averse mindset, there apparently was a shared notion within Chinese policy circles that AIIB would help China achieve an increased degree of impact and leverage in the non-Western world, making it ready for parallel (not necessarily direct) competition with the United States.³¹ Hence, it clearly corresponded with the general goal of gaining influence. Combined with these aspirations, AIIB was clearly defined in terms of its geographical focus and scope. It was obvious that China intended AIIB to be mainly or perhaps exclusively joined by Asian countries.³² This was made even more apparent by the indicated criticism directed towards IMF and distancing from other Western-led institutions that accompanied AIIB's introduction.³³

The three key identities which were introduced above, i.e. developmental, Asianist, and great power identity, played an important role in the process of establishing AIIB. The initiation of AIIB (and BRI) in 2013 was explicitly connected with a specific and relatively narrow regional demarcation—the regions of Central and East Asia. In doing so, China's foreign policy partly indicated connection with the Asianist identity during the initial steps. This followed Xi Jinping's previous emphasis on the same identity and the Asian dimension of China's foreign policy articulated at the Boao Forum earlier that year where economic as well as security issues were discussed or at other occasions at home.³⁴ However, key references seemed to be made to China's traditional developmental identity. China clearly tried to construct a vision of modernization needs common to developing countries, which could be almost naturally reciprocated by similar countries mainly, but perhaps not exclusively, in Asia, which would be addressed by AIIB (and BRI).³⁵ China also explicitly assures the others that it belongs to the same category of developing countries and, hence, the project would not serve interests of a (potential) hegemon but rather of all the (prospectively participating) developing countries together.³⁶

With regards to further details concerning AIIB's origins and demarcation, many gaps appeared. While their existence should not be seen as completely surprising, the following lines suggest a noticeable degree of adjustment since the very initial stage. At the time of writing the paper, it may seem natural that AIIB functions as a multilateral developmental bank. However, there are indications that the purpose and demarcation of the project were not agreed upon when Xi Jinping announced the intention to create it in 2013. In the beginning, it was unclear whether AIIB should be an extension of the successful China–ASEAN Investment Cooperation Fund, which would profile it differently in terms of the scope of its strategic significance. While outside observers speculated about that, it might have been an option considered even within China's foreign policy decision-making process as well.³⁷ *The New York Times*' detailed insight into the early stage of AIIB establishment indicates that there really were different opinions about the course of action.³⁸ Chinese decision-makers probably considered that the project could be an aid agency or a commercial bank.

While China declared early on that AIIB should be built around the values of equality and inclusiveness,³⁹ it did not pay much attention to specifying particular norms AIIB should be based on during the initial stage of AIIB's creation. Moreover, there was even a less clear relationship between AIIB and the New Development Bank (NDB) of the BRICS group. It is so despite the fact that both these banks were initiated as major projects within China's foreign policy. NDB was created before AIIB and during the process of NDB formation (the NDB treaty was signed in 2014), it seemed that China's foreign policy put great emphasis on the project. However, when AIIB gained momentum in 2014 and 2015, the importance of the projects shifted as NDB was getting overshadowed by AIIB from the point of view of China's foreign policy.⁴⁰ For example, in 2014 when the fortunes of AIIB were still unclear, Xi Jinping often referred to NDB rather than AIIB when trying to develop a positive diplomatic engagement with (especially) non-Western countries.⁴¹ Since then, the relationship between AIIB and NDB has remained largely unclarified by Chinese foreign policy.

During the later period of AIIB's initiation and China's reactions to others' positions (until early 2016), we can perceive further important adjustments. While it should be noted that China started to consider cooperation with some Western states around mid-2014,⁴² a key turn for AIIB's overall development happened in the first half of 2015 when the United Kingdom and then other Western countries announced their interest to join AIIB. Official Chinese press started to write about China's "diplomatic triumph."⁴³ However, it came as a truly unforeseen surprise for China as it did not expect that AIIB could attract substantial support from Western countries.⁴⁴ In reaction to it, AIIB started to evolve from a regional to a global institution. Since then, China has started to gradually demarcate AIIB as more open to cooperation with Western states and also other international institutions. Alongside that, a window of opportunity for increasing its and AIIB's legitimacy and status opened for China,⁴⁵ which Chinese foreign policy relatively quickly utilized. In other words, the emphasis on AIIB's strategic function changed from providing influence to increasing legitimacy. It can be hypothesized that China understood it as an opportunity for making up for a damaged reputation as

the political regime under Xi faced different types of criticism from the international community.

Analogously, when international (mainly Western) pressure was increasing during 2014 and 2015 to demand standards of good governance and operation to be followed by AIIB as well as that AIIB should cooperate with existing (Western-led) institutions, China was very attentive to that. At the beginning of its establishment, AIIB's relationship to the World Bank (WB) or Asian Development Bank (ADB) was largely unspecified.⁴⁶ During the spring of 2014 when there was the aforementioned pressure on China to clarify AIIB's relationship to these banks, China ensured others that AIIB was going to be compatible and complementary with them.⁴⁷ As China was responding to further queries from (mainly) Western states and as AIIB was being globally accepted in 2015 and 2016, China's discourse started to accent that the ADB and WB are models AIIB can learn and borrow from,⁴⁸ which contrasts with China's previous criticism of the WB and IMF.⁴⁹

A similar adjustment in China's position was apparent regarding the normative profile of AIIB. Following the Western pressure which also called for standards of good governance and operation to be followed by AIIB, China started to devote more energy to clarifying basic principles of AIIB. Thus, statements emphasizing that AIIB should be based on openness, equality but also accountability, transparency and efficiency start to appear in 2014 and even more frequently in 2015.⁵⁰ They were accompanied with China's discourse, which started to more explicitly and actively mitigate differences and discrepancies between AIIB and other global institutions and which continues until today.⁵¹

It is also possible to identify shifts taking place alongside the aforementioned changes. In 2014 and especially 2015, when AIIB was getting global attention to a largely unexpected extent, China started to present AIIB as a bridge between developed and developing countries.⁵² Emphasizing complementarity of interests between developed and developing countries (i.e., in fact, great powers and smaller states), China positively narrates AIIB's (potential) role and relatively unique position which is due to the relatively strong position of both developing and developed countries at the bank. However, China was not perfectly clear about its own identity in such statements as it partly obfuscated to what extent it sees itself as developed or developing country. It might be understood as China's effort to increase its flexibility and room for maneuvering in the crucial and turbulent period of AIIB's formation.

The Asianist identity, however, did not truly disappear and continued to be articulated along with the others although most usually at different occasions or fora. From 2014 to 2016, China emphasized that Asia should be the space which is led by the Asian nations as well as that the Asian nations should take responsibility for dealing with Asian problems.⁵³ It implied a diminishing role of the Western powers in Asia while AIIB was portrayed as a tool for Asians managed by Asians (with Chinese leadership).⁵⁴ Yet on different occasions, China relied more on its great power identity (a major power/country with Chinese characteristics)⁵⁵ although it is so without reference to its relationship to the United States, which often serves as a key channel of construction of

this specific identity.

The above exposition of AIIB's development before the official start of its operation reveals that China significantly modified its approach to AIIB, exhibiting a high degree of adaptation, flexibility, a gradually apparent tendency to avoid conflicts and a relatively low level of coherence of the project's key characteristics sustained across time. Moreover, China's activities related to creating AIIB highlighted, rather than overcame, difference in its strategic identities.

The Asian Infrastructure Investment Bank in First Years of Its Operation

The process of AIIB's creation, which included some surprises for China, might have gotten AIIB where China did not originally expect it to be. At the same time, however, China's foreign policy has adapted to and seems to be relatively comfortable with this evolution. AIIB's development after its official launch in January 2016 further documents the shift from being detached from Western actors and institutions to cooperating with them. From 2016 to 2018, AIIB established rich cooperation with other international financial institutions, mainly the ADB and WB.⁵⁶ After some initial tensions, WB's president endorsed AIIB in 2015. A year later, AIIB and WB agreed on conditions under which they can co-finance projects and AIIB also signed a memorandum of understanding with the ADB which has opened space for their mutual cooperation.⁵⁷ This resulted into rich collaborative interactions between AIIB and other international financial institutions. At the same time, AIIB has become largely dependent on the cooperation with these institutions. From 2016 to 2018, the majority of AIIB's projects were co-financed by other actors while AIIB usually played the role of a junior (minor) contributor.⁵⁸ It is also striking that AIIB joined the majority of these projects, rather than it initiating them in the first place. "In short, the AIIB was wholly dependent on other [multilateral development banks] to supply it both bankable projects and the technical expertise to execute them."⁵⁹

Not only does it suggest AIIB's genuine internationalization, but it also points to an emerging gap between AIIB and BRI, i.e., a gap in the strategic framework that initially outlined a close link between AIIB and BRI. Although AIIB provides funding to projects in countries falling under BRI, AIIB's dependence on other institutions and actors diminishes its role as an agency whose function is to materialize BRI.⁶⁰ Only about one-third of the funding AIIB spent up until 2017 is unambiguously related to BRI.⁶¹ Reacting to that, many other—this time solely Chinese—institutions have become crucial in funding BRI projects, which diminishes AIIB's role within BRI.⁶²

In regards to the question of the identity China "invested" into the project, two issues are apparent. First, China's identity connected with AIIB continued to be far from neatly organized. China still worked with the identity of "developed–developing" bridge⁶³ that largely corresponded with the previously discussed shifts of AIIB's position. While this identity seemed to get established as the dominant one, this should not be read

as a definitive conclusion of the identitarian positioning as other identities kept re-appearing as well.⁶⁴ Secondly, and to make it a bit more complicated, China's post-2016 discourse connected its identity to AIIB less often and less clearly, which correlates to the discussed internationalization of AIIB and its (partial) detachment from the BRI framework.

When it comes to further details concerning its demarcation, AIIB's developments show its emulation of existing practices of governance and organization typical for similar institutions. This was accompanied by the effort of China's foreign policy to emphasize that AIIB should "supplement" existing international institutions. In other words, Chinese representatives continually persuaded the international community that AIIB was not intended to be a tool of China's influence, and they rhetorically emphasized compatibility and cooperation between AIIB and related institutions.⁶⁵ Moreover, as implicitly recognized even by AIIB's director Jin Liqun, the post-2016 importance of AIIB for China and the weight ascribed to AIIB by China's post-2016 rhetoric do not match China's earlier highly ambitious presentation of AIIB.⁶⁶ And as commented by one observer, the operation of and bargaining within AIIB could be described as "normal and boring."⁶⁷

Thus, after AIIB's official launch, China's approach continued to evince signs of adaptation and mitigation of conflictual tensions that combined with downplaying its ambitions in relation to AIIB. China quite clearly realized that the presence of many Western countries within AIIB meant close supervision from well-experienced actors that made (potential) Chinese efforts to openly manipulate AIIB to its advantage untenable or, at least, highly costly. Thus, China's foreign policy followed the opportunity to construct AIIB as a legitimation device, rather than building AIIB as a tool closely interconnected with strategic goals of BRI (as portrayed by China's official narratives since 2013 until at least 2015) or as a tool for pressuring Western economic institutions or forwarding institutional innovations (as suggested in the early phases of AIIB's development).⁶⁸

Conclusion

It is clear that Xi Jinping moved China from Deng Xiaoping's strategic course more than two previous presidents ago. Establishing AIIB has been one of the important symptoms of the change. However, when trying to understand to what extent China's foreign policy during the establishment of AIIB resembles Deng's strategic course, we can witness both differences and similarities. The current state of strategic identities and grand strategic vision as structural dimensions of China's foreign policy suggests that China could be understood as (at least partially) revisionist as argued by literature mentioned in the introductory paragraphs. New identities, including that of a great power or an Asian leader, coexisted with Xi's general aspirations to increase China's power, influence and legitimacy, his more active approach and specific strategic motivations backing BRI and AIIB.

However, when examining AIIB's actual implementation and its style, the conclusion is rather opposite. China's demarcation of AIIB's aspirations, values, role, connections to China's own strategic identities and other actors significantly evolved from 2013 to 2018. Moreover, it should be noted that changes in these areas largely, though not completely, correlated with each other. Despite the initial tendency to portray AIIB as distanced from and opposed to Western institutions, China significantly modified its approach to AIIB, exhibiting a high degree of adaptation, flexibility, a gradually apparent tendency to avoid conflicts and a relatively low level of coherence of the project's key characteristics sustained across time. Moreover, China's activities related to creating AIIB highlighted, rather than truly overcame, differences in its strategic identities.

Based on these characteristics, I make two arguments. First, AIIB's implementation largely resembles Deng's "crossing the river by touching the stones" guidance that represents an incremental but also adaptive approach and that was defined by very similar characteristics as those mentioned above. The point is not that we should be surprised to see such an approach in Chinese foreign policy or that it is a feature typical for China only. However, its presence helps realize that the current state of AIIB is not a foregone conclusion and AIIB might have become something China had not originally expected. Second, AIIB can hardly be seen as a revisionist project in the sense as outlined above. By contrast, China's foreign policy adjusted AIIB as per Western pressure, cooperated and got entangled with Western actors or exhibited tendencies to overcome conflicts. Nonetheless, two disclaimers shall apply. First, it was beyond the scope of this paper to assess whether AIIB could be understood as revisionist in different terms. Second, I did not aspire to reveal the ultimate ideals of Xi Jinping (or other Chinese politicians) about the future of AIIB. Although Xi's desired preferences might be much more revisionist, it is safe to claim that its evolution affected AIIB in the way that it has accommodated to the global institutional order more than initially expected and that it has become a part of the institutional order rather than its (open) antagonist.

During the analyzed period, AIIB underwent at least the following interrelated shifts that co-defined its strategic course. Strategically, the Bank changed from being a tool for supplementing the China Dream and BRI to providing China with an option on how to increase international legitimacy and reputation. Economically (geo-economically), its purpose moved from putting pressure on the Western-led international economic order to closely cooperating with its champions like the WB or ADB. Institutionally, China's position within the Bank changed from (almost, potentially) having hegemonic power to being closely observed by other very experienced states and accepting many norms or principles promoted by Western liberal actors. All of these changes seem to have one aspect in common. China reacted flexibly to make AIIB more defensible and sustainable internationally utilizing windows of opportunity which appeared along the way. I do not claim that this approach which I wish to call incremental is followed intentionally or unintentionally but argue that it should not be overlooked.

To summarize, China's strategic course as it developed in the context of AIIB's initiation can be characterized by A) a grand strategic position that gradually consented to a close cooperation with Western actors, utilized AIIB for gaining legitimacy rather

than straightforwardly competing for influence and tolerated an increasing gap between AIIB and BRI, B) incoherent strategic identities with the identity of China as a bridge between developed and developing countries as the potentially, though not completely, unifying one, and C) the incremental and adaptive strategic style.

The relatively important role of incrementalism in China's procedure creates possibilities for other states to influence China's foreign policy in the discussed area. It also opens ways for accommodating China's visions of international (institutional) order to those of Western states. It illustrates that China's and Xi Jinping's current approach to global order and strategic issues may be more adaptive and flexible than often thought. The future development of AIIB seems to be open as well, especially as China will have to balance between 1) different identities and normative promises it connected with the Bank, 2) using the Bank as its instrument for supporting the ambitious BRI project and preserving AIIB's status as a true multilateral institution, or 3) between pursuing its proactive strategic course and receiving diplomatic recognition, while both these elements *together* are necessary for increasing China's status in international politics, i.e. something Xi Jinping apparently tries to achieve along with his foreign policy endeavors.

Notes

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