A Tale of Ending Poverty: The new financial institutions and China's global strategy

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Abstract The term "end-poverty" is deployed by the World Bank (WB) in working with the Asian Infrastructure Investment Bank (AIIB) and countries along the Belt and Road on the Belt and Road Initiative (BRI). This chapter contextualizes the BRI in a world a struggle, one in which actors take actions, based on their own field of expertise and knowledge, to further their interests. Inspired by David Kennedy's argument of the role of expertise in a world of struggle, this chapter explores the role of the term, "end poverty", in enabling relevant actors to further their interests.

This chapter argues that "end poverty" is the middle-ground between various actors, including the sovereign nations, new and established financial institutions involved in the BRI. The moral endowment and indeterminacy of the term enables WB and other institutions, including AIIB and New Development Bank (NDB), to engage with the BRI for the purpose of its own agendas. The term, as well, facilitates China to deploy its global strategy in the political economy of the contemporary world.

The indeterminacy of the term, however, covers up the story of the struggle of the member countries of the new institutions for strategic advantages in multilateral lending and global economic governance, and largely conceals the political objectives and effects of particular countries within the new institutions. The term as well neglects the sufferings of those disadvantaged in regions and countries of the BRI, that the BRI projects strengthens the elites and their power in the recipient countries over their populations. In deploying the term and furthering the global strategy, China's infrastructure financing increases uncertainty and risks in the global financial system.

1. Introduction

On 12 October, 2017, I attended a panel titled "The Belt & Road Initiative: Building Bonds Across Asia, Europe and Beyond", at the Annual Meetings of the Boards of Governors of the World Bank

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Group (WBG) and the International Monetary Fund (IMF). Guest speakers at the panel include President of World Bank (WB), Jim Yong Kim, President of Asia Infrastructure Investment Bank (AIIB), Jin Liqun, and (vice-)ministers of finance of China, Kazakhstan and Indonesia. Entering the Preston Auditorium where the panel was hosted, the background picture with title of the panel strikes me. The picture, presenting four faces, tells the economic suffering of individuals. At the lower part of the background picture, marked two hashtags: #endpoverty #BeltAndRoad.

At the panel, "end poverty" seems to be the consensus of the speakers on the mission of the Belt and Road Initiative (BRI). The WB is positively open to collaborate with the AIIB to fill in the gap in infrastructure investment,[2] and the (vice-)ministers of finance of the three attending countries are taking the BRI as an opportunity for local development. The adoption of such a term at the panel intrigues my interest in the following question: Is "end poverty" the middle-ground between China and other actors involved in the BRI, in the grand project of Chinese global strategy?

"End poverty" is deployed by WB in Jim Yong Kim's statement published by *China Daily* in 2015.[3] As a major multilateral development bank (MDB) established in the aftermath of the 1944 United Nations Monetary and Financial Conference (the Bretton Woods conference),[4] its policy toward the AIIB largely represents the attitudes of the traditional and established international institutions, in particular the MDBs,[5] toward the new financial institutions. While conflicts of interest largely exist, in particular with the politics behind the major state actors as members of the traditional and new institutions, particular rhetoric and terms serve as the mediator: It offers the space of action amid competitive struggles. Confirmative toward the connection between the agenda of the multilateral development banks (MDB), as "to provide financial support to investments in human and physical capital that promote development,"[6] with "end poverty", the

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[2] James Kynge (2017) Finance will create new alliances across Asia, Financial Times, June 16. "Asia must invest $26tn in infrastructure by 2030"; Asia's infrastructure gap, estimated by the Asian Development Bank, requires $8 trillion through 2020, see: World Economic Forum (2014) US$ 8 Trillion Needed to Bridge ASEAN's Infrastructure Gap. https://www.weforum.org/press/2014/05/us-8-trillion-needed-to-bridge-aseans-infrastructure-gap/. Accessed 18 Sep 2017

[3] The World Bank (2015) Jim Yong Kim: Welcoming AIIB to Fight Poverty. http://www.worldbank.org/en/news/opinion/2015/06/08/welcoming-aiibto-fight-poverty. Accessed 18 Sep 2017.

[4] The Bretton Woods conference established the International Bank for Reconstruction and Development, which has evolved into five institutions, making up the World Bank Group and the International Monetary Fund

[5] The multilateral development finance evolved dramatically in the past decades, with a multitude of development banks and funds established: The African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, and Inter-American Development Bank. See, Robert Wihtol (2014) Whither Multilateral Development Finance? Asian Development Bank Institute Working Paper Series, No.491

[6] Rabah Arezki, Patrick Bolton, Sanjay Peters, Frederic Samama, Joseph Stiglitz (2016) From Global Savings Glut to Financing Infrastructure: The Advent of Investment Platforms, Economy Policy. 63rd Panel Meeting

term “end poverty” enables, traditional international institutions to further their respective interests by engaging with the BRI.

David Kennedy writes, on expertise, that “the usefulness of its indeterminacy [is] more appreciated than its analytic rigor.”[7] In the context of the BRI, the term “end poverty”, a term developed by the expertise of WB, furthers the struggle of actors including the financial institutions, both established–e.g., WB, new– the Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB), and China as the initiator of the BRI. This paper tackles the term “end poverty” by exploring its role in enabling the new international institutional actors involved in, as well as China, the initiator of, the BRI to be “unhitched from the promise of decisive clarity,”[8] to engage with the BRI and further their respective interests without needing to question the agenda of others, or tackling the concrete meaning of the term.

Such an exploration reveals the systemic inadequacy of the term in tackling the suffering and injustice of the world. Kennedy writes, “the result of continuous struggle is an eerie stability it is hard to imagine challenging or changing.”[9] Struggle here refers to the process of strategic actions taken to further the interests of relevant actors based on their own field of expertise. Indeed, by adopting the terms and rhetoric that are filled with space for manoeuvre, for the purpose of facilitating the struggle of each actor, we are left with terms of moral high-ground, like “end poverty”, and that only. The system remains with eerie stability, that it is the privileged that is empowered throughout the process of struggle. The risks resulted by the struggles are borne, essentially, by the peripheries that are largely neglected.

Part 2 of the chapter focuses on the new institutions established with a link to the BRI. While the term “end poverty” offers a narrative of the establishment of the new institutions, this part adds

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hosted by the De Nederlandsche Bank, Amsterdam, 22-23 April 2016. P.28. For further elaboration on the initial mandates of MDBs, see: Levy Yeyati, Eduardo, Alejandro Micco and Ugo Panizza (2004) Should the Government Be in the Banking Business? The Role of State-Owned and Development Banks. Research Department Publications 4379, Inter-American Development Bank, Research Department

[7] David Kennedy explores the struggles at the level of the works of the experts and their perception of order in a governed system, to “explore the role of expertise and professional practice in the routine conflicts through which global political and economic life takes shape.” See, David Kennedy (2016) A World of Struggles: How power, law and expertise shape global political economy. Princeton University Press, Princeton and Oxford, pp.2. Such a tackling-angle enriches the understanding of the global political economy and the shape of it by various actors with their own particular interests, and the perception of expertise by revealing the indeterminacy therein. This chapter, inspired by Kennedy’s concept of struggle and expertise, deploys a related but different concept of struggle

[8] David Kennedy (2016) pp.2

[9] David Kennedy (2016) pp.5

to the narrative of the new institutions established to fill in the gap of the infrastructure investment in the regions a narrative that the new institutions challenge the governing structure of the traditional MDBs. Such a narrative presents an image of struggle, in which countries and institutions involved take actions to further their respective interests. This part continues to point out the downsides of the struggles. First, despite the governing structure of the new institutions, the political objectives and effects of particular countries are inevitably present in the institutions. Second, while the indeterminacy of the term "end poverty" enables the struggle of the actors involved, the concrete meaning of the term is neglected; such a neglect could strengthen the elites and their power in the recipient countries over their populations.

The chapter, in part 3, presents the BRI as one aspect of China's global strategy, as governmental initiative furthering the interests of the country. The financing mechanism of the BRI reveals the majority of the financing from domestic banks in China. The chapter analyses the financing mechanism, and differs infrastructure financing with development financing. Through infrastructure financing and development financing, as the chapter argues, China furthers its global strategy. Such a process, however, raises risks over global financial stability.

2. Retell the new institutions' story of ending poverty

The financing mechanism of the BRI presents the role of the new institutions. While a narrative of ending poverty is deployed, one that tells the story of filling in the gap of infrastructure investment in the regions, this part tells, as well, a story of new institutions challenging the structure of development financing in the traditional MDBs. The process of challenging the traditional MDBs, however, does not contribute to tackling the injustice of the world, as new institutions strengthens, within the countries involved in the new institutions, the power of the group of people in an advantaged position over the rest of the populations.

2.1 Financing of the BRI and the new institutions

In May 2017, Financial Times (FT), with its sources from company statements and Oxford Economics, estimates that the overall $292bn of funding for the Belt and Road Initiative (BRI), of outstanding loans or equity investment at end of the year 2016, is composed of the following: $150bn from the big four state-owned commercial banks, $110bn from China Development Bank (CDB), $24bn from Export-Import Bank of China (Eximbank of China), $4bn from the Silk Road Fund (SRF), $2bn from AIIB, and $2bn from New Development Bank (NDB).[10]

[10] Gabriel Wildau, Nan Ma (2017) In Charts: China's Belt and Road Initiative. Financial Times, May 11

According to FT's estimation, the new financial institutions involved in the financing mechanism of the BRI, the AIIB, NDB, and SRF, contribute 0.6%, 0.6%, 1.3% to the overall financing of the BRI respectively. Among the three, the SRF[11] is designed to operate "as a private equity venture, but with a smaller group of investors committed for longer terms", so as to "help avoid riskier politically-driven deals that are not always in the best economic interests."[12] Admittedly, the political impacts of contributing members within the SRF play a role in its strategic actions taken to further its interests and the interests of the members. Yet the private entity nature of it leaves it outside the scope of this paper's inquiry: It is not a development bank. Then, with the AIIB and NDB left, the two take 1.2% of the overall financing of the BRI so far, which largely weakens its connection with the BRI.

The AIIB is a multilateral financial institution with 56 member countries as of June 2017, with 37 regional members and 19 non-regional members covering Europe, Oceania, Africa and south America, focusing on supporting infrastructure construction. According to Jin Liqun, president of the AIIB, the AIIB "plans to increase operation gradually, investing $1.5bn-$2bn in infrastructure this year", and investing "$3bn-$5bn next year and around $10bn in 2018".[13]

The NDB is a multilateral development bank operated by the BRICS states (Brazil, Russia, India, China and South Africa), with a primary focus on lending to infrastructure projects.[14] It was established in 2014, "with an initial subscribed capital base of $50 billion, with each of the five countries contributing $10 billion and receiving equal voting rights".[15] The bank "has a brief to provide no-strings loans to Emerging Market and Developing Countries (EMDCs), principally for major infrastructure and sustainable development projects."[16] The NDB is "accompanied by a

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[11] The Silk Road Fund is an investment fund established in 2014. The fund's initial $10bn is from the State Administration of Foreign Exchange, China Investment Corporation, China Development Bank and Export-Import Bank of China. Out of the four entities contributing the initial $10bn, China Investment Corporation is the Chinese sovereign wealth fund, established in 2007 as a state-owned company, with registered capital of $200bn, responsible for managing part of the country's foreign exchange reserves.

[12] Ajay Chhibber (2015) China's One Belt One Road Strategy: The New Financial Institutions and India's Options. National Institute of Public Finance and Policy, Working Paper no.2015-155, pp.2

[13] James Kynge (2016) How the Silk Road plans will be financed. Financial Times, May 10

[14] "The bank's primary focus of lending will be infrastructure projects with authorized lending of up to $34 billion annually." See: Ajay Chhibber (2015) pp.2

[15] Robert Wihtol (2014)

[16] Chris Dixon (2015) The New BRICS Bank: Challenging the International Financial Order? Global Policy Institute, Policy Paper. no.28. pp.1

Contingent Reserve Arrangement (CRA) comprising a pool of $100 billion of currency swaps".[17] The CRA is established to provide protection against global liquidity pressures,[18] that when the members' national currencies are being adversely affected by global financial instability, the CRA will provide financial support in case of short-term balance of payments pressures and other cases of liquidity pressures.[19]

The $100bn AIIB offers financial support to the BRI together with the $50 billion NDB and the $100 billion Contingent Reserve Arrangement (CRA).[20] The new international financial institutions finance the BRI through offering credit and loan, bonds, equity investment, insurance, and other financing mechanism.

2.2 Ending poverty or strategic struggle?

The establishment of the AIIB was linked with "end poverty" through the narrative of satisfying the need of the investment gap in infrastructure in Asia.[21] With the shortage of basic facilities, various Asian countries desire infrastructure investment through various channels. The existing development banks, namely the Asian Development Bank (ADB) and the WB, have a capital base of about $160bn and $220bn respectively, yet the capital are largely deployed "in existing projects and their mandates are much broader than infrastructure".[22] While the need for improvement in physical infrastructure, in particular as the consequence of neglect after the collapse of the Soviet Union in Central Asia, provides the incentive for governments in the region to provide political stability and a positive investment climate,[23] there exists an investment gap. The establishment of AIIB has been praised for its potential in achieving the goal of gaping the needs for infrastructure-

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[17] Robert Wihtol (2014). The $100bn of currency swaps is consisted of the PRC contributing $41 billion; Brazil, the Russian Federation, and India $18 billion each; and South Africa $5 billion

[18] "The CRA is a framework for the provision of support through liquidity and precautionary instruments in response to actual or potential short-term balance of payments pressures. It will provide financing similar to the IMF but not under an IMF agreement." See: Ajay Chhibber (2015) pp.2

[19] The CRA is designed as "an external account support facility to help developing countries manage balance of payments crises", see: Rajiv Biswas (2015) Reshaping the Financial Architecture for Development Finance: The new development banks. LSE Global South Unit, Working Paper Series, Working Paper no.2/2015 pp.3

[20] Ajay Chhibber (2015) pp.2

[21] James Kynge (2017) "Asia must invest $26tn in infrastructure by 2030"; Asia's infrastructure gap, estimated by the Asian Development Bank, requires $8 trillion through 2020, see: World Economic Forum (2014)

[22] Rabah Arezki, et al (2016) pp.36

[23] Theresa Fallon (2015) The New Silk Road: Xi Jinping's Grand Strategy for Eurasia. American Foreign Policy Interests37(3):140-147

financing in Asia.[24] With its infrastructure focus, it benefits the social and economic development of the regions and countries along the BRI. Supporting such a view, it's argued that the model for attracting "the flow of long-term savings towards long-term infrastructure assets" facilitates AIIB's efforts in promoting infrastructure investment.[25] It is as well noticed that since its establishment, it has been successfully co-operating with the traditional multilateral development banks (MDBs),[26] thus would join the efforts to promote development and end poverty.

The NDB, with a primary focus on infrastructure projects, is as well considered to be able to promote development. While the narrative centring "end poverty" in the establishment and functioning of the AIIB and NDB presents the new institutions as filling in the gaps in existing international and regional efforts in promoting development, this section adds another narrative of the story, one that the AIIB and NDB, and countries supporting it challenge the traditional system of development financing, and further their interests in the governance of multilateral lending in global economy.[27]

The traditional system of development financing, and the structure of governance within multilateral lenders, refer to the international institutions and their internal governing system, established following the Bretton Woods Conference in 1944. With a total of 44 founding members establishing the IMF and the IBRD, the voting powers were largely resided with the US and Europe. Through the years, while the number of member countries of the IMF and the World Bank rose to 188, and the percentage of developing countries in the share of world GDC increased tremendously, the governance structure of the IMF and World Bank hardly evolved.[28] At the same time, in the World Bank and the IMF, "the number of votes assigned to member countries is determined by a combination of their contributed capital and the size and stability of their

[24] For a detailed narrative on the infrastructure investment needs in Asia, see: Georg Inderst (2016) Infrastructure Investment, Private Finance, and Institutional Investors: Asia from a Global Perspective. Asian Development Bank Institute, ADBI Working Paper Series. no.555

[25] Rabah Arezki et al (2016) pp.36. As the article argues: "with a higher projected leverage it is likely that the AIIB will not just be issuing AAA rated bonds to long-term investors, but also lower rated bonds with a higher yield, which should make these particularly attractive to long-term investors in the current global low yield environment."

[26] The co-financing of projects in Asia by World Bank and the China-led Asian Infrastructure Investment Bank is an example of such cooperation. "Since the AIIB began business at the start of 2016, it has co-financed five projects with the World Bank". See: James Kynge (2017)

[27] "To the extent that the AIIB succeeds, it will secure the buy-in of its clients and member states, and the new bank may even exert pressure on the established multilateral lenders to change." See: Gregory T. Chin (2016) Asian Infrastructure Investment Bank: Governance Innovation and Prospects. Global Governance 22:11-26

[28] For a detailed narrative of the share of GDP and of voting rights in IMF, and the discontent of BRICS with the Bretton Woods structure of governance, see: Rajiv Biswas (2015)

economies."[29] The result of such a power structure being, for instance, China's vote share lower than that of the United Kingdom, despite its larger economy.[30] The bias of the current system, "as a continuation of the politics of war and economic struggle",[31] naturally incentivizes the actors in a disadvantaged position to challenge the system.[32]

The internal governance structures of the new institutions reflect the endeavours of the emerging market and development countries in challenging the governing structure of the traditional institutions. AIIB has developed the governance structure that "the voting shares are based on the size of each member country's economy (GDP PPP) (and whether they're an Asian or Non-Asian Member) and not contribution to the Bank's authorized capital."[33] Following such an approach, countries with larger economies would take a higher voting share, which promotes the interests of the larger economies. The establishment of the new institutions poses a challenge to the traditional global development financing.[34] Despite the limited capability of the individual BRICS country and other development countries in providing development finance,[35] "the NDB, AIIB and Silk Road Fund combined … will give developing countries a greater voice in governing global development finance in the next decade and beyond."[36] Meanwhile, the governance structural within the AIIB, for instance, presents an institutional guarantee that "China's influence will be checked… by the equal percentage of voting rights given to founding members."[37]

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[29] Rebecca Lioa (2015) Out of Bretton Woods: How the AIIB is Different. Foreign Affairs. 27 July

[30] The latest argument is made by Jiajun Xu by tracing the play out of power transition in the World Bank over the last five decades, which shows the US's hegemonic role in the World Bank that drives the rising China to "initiative the AIIB and NDB, putting competitive pressures on the US-centred multilateral institutions to adapt." See: Jiajun Xu (2017) Beyond US Hegemony in International Developments: The Contest for Influence at the World Bank. Cambridge University Press. Jiajun Xu focuses on the role of the emerging financial institutions challenging the traditional financial institutions due to the power play, including voting rights and internal structure, within the financial institutions

[31] David Kennedy (2013) Law and the Political Economy of the World. Leiden Journal of International Law 26:7-48, at 37

[32] In practice, when the 2007-8 global financial crisis hit the world, certain countries resort to financial agencies other than assistance from IMF. Indonesia, for instance, obtained "the necessary funds through currency swaps with the Bank of China and the Bank of Japan". See: Chris Dixon (2015) pp.4

[33] Ajay Chhibber (2015) pp.2

[34] "The founding of these new agencies must be seen as an implicit challenge to the established international financial system" See: Chris Dixon (2015) pp.2

[35] This is largely due to the constraints on the foreign exchange reserves of most of the large developing countries.

[36] Rajiv Biswas (2015) pp.11

[37] Rebecca Lioa (2015). As Lioa introduces, "Other sources of voting shares include the amount of paid-in capital. If China pays in 30 percent of the bank's capital, as it is slated to, it will still only receive 26 percent of the organization's voting shares."

This narrative presents an image of struggle. Deploying the term “end poverty”, as the narrative of filling in investment gap presents, as well enables countries involved in the AIIB and NDB, and the institutions themselves, to further their interests, both structurally in the governing system of development financing, and individually in promoting specific interests.

2.3 Strategic struggles and the downside

As noted, “end poverty” is deployed by WB in promoting its collaboration with the AIIB. The moral high-ground of the term “end poverty” makes it highly marketable. The term serves as a middle ground for involved actors to make strategic moves, to further their respective interests. As in the case of the AIIB and NDB, being involved in the BRI under the tag “end poverty”, the member countries are challenging the governing structure within the traditional MDBs, and expanding opportunities for themselves in global economy.

The institutional settings at the new financial institutions, as the above section elaborates, do not enable any country to further its interest without the institutional check of other (founding) members of the institutions. Such a setting to constrain particular member countries in furthering the interests, however, cannot escape from political objectives and effects. This section draws on the abolition of conditionality clauses in the new institutions, and argues that such abolition in the new international institutions contains as much political objectives and political effects as the established financial institutions’ inclusion of the conditionality clauses. Thus, while the countries involved in the BRI and the new institutions struggle for furthering their respective interests, the extent to which the institutional setting of abolishing of conditionality clauses would alleviate the political effect is rather questionable. Meanwhile, the BRI projects benefit, largely, the elites in the recipient countries over the rest of their populations.

Within the financing mechanism of the BRI, the loans from the state-owned commercial banks to Chinese companies investing in infrastructure projects along the BRI, as private flow of investment that are commercial-interest driven, do not contain conditionality clauses in the investment. The Chinese policy banks’ financial support to the BRI projects, as well, do not contain conditionality clauses. The White Paper on Foreign Aid published in April 2011 and July 2014 respectively, containing the concessional loan issued by the Eximbank of China as a financial source of foreign aid, explicitly lists the five aspects of China’s principles on foreign aid,[38] which

[38] The five principles are: 1. Help recipient countries build their self-development; 2. Impose no political conditions; 3. Adhere to principles of equality, mutual benefit and common development; 4. Strive for the best whilst remaining realistic; 5. Keep pace with the times, pay attention to reform and innovation

largely follow China's Five Principles of Peaceful Coexistence, claiming no attachment of political conditions. That means the concessional loan issued by the Eximbank of China as a means of BRI financing mechanism does not contain any conditionality clause. Financing through the emerging financial institutions, including the AIIB, NDB and SRF, as well, do not contain conditionality clauses. The AIIB's Articles of Agreement explicitly "bar members from influencing political affairs."[39] The NDB was as well established by the EMDCs expressing their reluctance to the conditionality of both World Bank and IMF.

In the traditional MDBs, conditionality is closely attached. With IMF, for instance, loans were given "only to those who promised to slash national budgets to avoid running deficits (with welfare programs usually the first to go), lower tariffs, and increase the openness of financial markets."[40] The Millennium Development Goals, a set of information criteria within the World Bank, evaluate how well a country has put its funds to use. These criteria include infant morality, the prevalence of epidemics, democratic practices, government transparency, and so on.[41] The loan conditionality attached by the World Bank and the IMF focus, in general, on liberalisation – of trade, investment, finance –, deregulation and privatisation of the economic sectors of the countries requesting the loans.[42]

The new institutions' detachment of conditionality clauses have invited various narrative. To overly simplify the narratives, they can be categorized into the following. The first narrative links it with China's Five Principles of Peaceful Coexistence, claiming that an emphasis to economic development and integrity of the sovereign has long been the practice of Chinese diplomacy. Admittedly, the BRI is the first published master plan of the People's Republic on external affairs, thus it is reasonable to see the financing mechanisms not setting any formal political or economic conditionality, following the diplomatic practices. This narrative claims that "the 'one belt one

[39] Rebecca Lioa (2015)

[40] Rebecca Lioa (2015)

[41] Rebecca Lioa (2015)

[42] The conditionality clauses have been under criticism. Those criteria of conditionality have lead to unwanted consequences. For instance, during the Asian financial crisis of 1997, "as a condition of IMF bailout, Indonesia and Thailand both had to slash their fiscal budgets, doing away with critical social services in the process, so that the interest on the loans could be repaid," leading to the criticism over IMF for "forcing the country to open up its financial markets before there was a proper regulatory infrastructure in place." See: Rebecca Lioa (2015); Joseph Gold (1979) Conditionality. International Monetary Fund; Sidney Dell (1981) On Being Grandmotherly: The Evolution of IMF Conditionality. Essays in International Finance. Princeton University: Princeton; Bahram Nowzad (1981) The IMF and Its Critics. Essays in International Finance. no.146; John Spraos (1986) IMF Conditionality: Ineffectual, Inefficient, Mistargeted. Essays in International Finance. no.166; Jacqueline Best (2012) Ambiguity and Uncertainty in International Organizations: A History of Debating IMF Conditionality. International Studies Quarterly

road' vision reflects Chinese leaders' vision for 'peaceful co-existence with difference' and commitments for providing global public goods, peace and security, and sustainability".[43] The second narrative seeks inspiration from traditional Chinese philosophy. This narrative claims that such an approach to infrastructure finance represents the long-existing mentality of development in China: mutual beneficial, sustainable development,[44] and peaceful rise. These mentality of development, it is argued, is based in the Chinese culture and philosophy. The third set of narrative is more critical toward the detachment of conditionality, that not only those investments will not get any return for the investors, but also not changing the local social standards.

While the three narratives capture, to an extent, an aspect of the detachment of conditionality clauses in projects under the umbrella of BRI, they overlook the political objectives and political effects of the projects. Detachment of the wording conditionality does not free the projects from the political objects and effects at all. The first two narratives' reading of the detachment of the conditionality clauses by making a link with either Chinese foreign policy or Chinese philosophy, by default, recognizes the political effect of China over the BRI projects. While countries and institutions involved in the BRI struggle for their own interests, leading the AIIB and NDB to come up with the detachment of the conditionality clauses, it is inevitable that the political objective and political effect of particular countries are present. Indeed, the selection of the projects, in particular due to the connection between the AIIB and the BRI, has been noticed as promoting China's influence across the world, facilitating the BRI in achieving "China's politico-strategic and soft power influence through strengthening of regional and global integration."[45] China's economy position and political influence will, inevitably, have an impact on the new institutions– all the international/regional banks and financial institutions seek to "promote the national interests and political worldviews of their most powerful members."[46] There is nothing surprising or hypocritical that the establishment of the AIIB furthers the political objective of China. With the establishment

[43] Justin Yifu Lin, Yan Wang (2015) China's Contribution to Development Cooperation: Ideas, Opportunities and Finances. Fondation Pour Les Etudes et Recherches Sur Le Développement International, Development Policies Working Paper 119. pp.20

[44] Sustainability is listed as one of the goals of finance for development is incorporated into the AIIB: to be "leaner, cleaner, greener".

[45] Rahul Mishra (2016) Asian Infrastructure Investment Bank: An Assessment. Indian Council of World Affairs, India Quarterly 72(2):163-176 pp.169.

[46] Rebecca Lioa (2015)

of the AIIB, China has been deemed, by some, as “a potential vanguard for an alternative economic world order”.[47]

Another downside of the countries and institutions deploying the term “end poverty” to enable their own struggle for interests, along with the inevitable political objectives and effects within the BRI and the new institutions, is the lack of focus on poverty itself. While the indeterminacy of the term enables the involved actors to stand at a morally high ground, what the term really entails seems not to be the concern of the actors involved. The *Articles of Agreement* of the AIIB,[48] for instance, does not contain the term– not that mentioning the term would provide the actual procedural guarantee to work toward ending poverty though. While it is taken for granted, as a hypothesis, that promoting development and reducing poverty could be a possible impact of the AIIB and NDB in satisfying the need of the investment gap in infrastructure building, such a hypothesis takes the populations within countries and regions as a whole, without differing the elite and privileged, with the rest of the population. The chapter raises, thus, the question of, whose interests are furthered and powers enhanced in the countries involved in the BRI projects?

3. Exploring China’s global strategy: Through the financing mechanism of the BRI

The financing mechanism of the BRI reveals the rather small percentage of financing from the new institutions, and the large percentage of contribution from the state-owned commercial banks and the policy banks of China.[49] While the new financial institutions are involved in the BRI projects, as the financing mechanism of the BRI exemplifies, the small percentage of their financial contribution to the overall financing of the BRI presents them more as institutional endeavours of China, as the rising power exploring its potential in international institutional governance. The main vehicles of BRI, a governmental initiative, a master plan on foreign affairs, are financing through domestic Chinese banks.

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[47] Rebecca Lioa (2015). Similar to this line of argument, it is argued that the AIIB “will not be a true multilateral institution committed to common objectives”, but rather “a vehicle for China to advance its own unilateral strategic objectives in Asia”. See: Mike Callaghan, Paul Hubbard (2016) The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road. China Economic Journal 9(2):116-139 pp.116

[48] Articles of Agreement, Asian Infrastructure Investment Bank https://www.aiib.org/en/about-aiib/basic-documents/_download/articles-of-agreement/basic_document_english-bank_articles_of_agreement.pdf. Accessed 18 Sep 2017

[49] Gabriel Wildau, Nan Ma (2017). For other summaries of the financing mechanism of the BRI, see: Don Weinland (2017) Asia’s regional banks lend where their western rivals dare not. Financial Times. May 4; Peter Wells, Don Weinland (2017) Fitch warns on expected returns from One Belt, One Road. Financial Times. 26 January. It is estimated that the OBOR infrastructure projects took place with the amount of $900bn, planned or underway, of investment on ports, roads, rail lines popping up across Asia

The chapter contextualizes the BRI in China's global strategy. China's global strategy is characterised, with relevance to the BRI, as the project of "national rejuvenation" and "major-country diplomacy".[50] The BRI projects, launched at the times of excess capacity in China,[51] does offer opportunities for Chinese companies and in large, the macro-economy of China.[52] The BRI's potential in promoting trade and in facilitating infrastructure investment, in connecting people and regions along the BRI, in promoting an image of China as an alternative to development and governance,[53] in increasing its soft and hard competitiveness, makes it an essential aspect of the global strategy.

This section argues that the BRI promotes China's global strategy through a combination of infrastructure financing and development financing. The infrastructure financing is supported by domestic banks offering loans to companies conducting infrastructure projects along the Belt and Road. The revenue-oriented model of infrastructure financing differs it from development financing. Meanwhile, development financing, including financing through policy banks of China and the new institutions, is closely tied with the political objectives of China.

3.1 Financing mechanism of BRI: Domestic banking

3.1.1 State-owned Commercial Banks

The domestic commercial banks, in particular the big four state-owned commercial banks, with their branches along the Belt and Road, offer multiple ways of financing. $150bn out of the overall $292bn of outstanding loans or equity investment for BRI at end of 2016 is from the big four state-owned commercial banks.[54] In the state-owned Chinese commercial banks, the state has the

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[50] "National rejuvenation"民族复兴(Min Zu Fu Xing), and "major-country diplomacy" 大国外交(Da Guo Wai Jiao), are included in Chinese President Xi's report to the 19th National Congress of the Communist Party of China. For an analysis of national rejuvenation and major-country diplomacy, see, for instance: An Baijie (2017) March to rejuvenation. China Daily. 26 Oct http://www.chinadaily.com.cn/china/2017-10/26/content_33715396.htm. Accessed 26 Oct, 2017; Wang Yi (2017) Talks about General Goal of Major Country Diplomacy with Chinese Characteristics in New Era: To Promote the Building of a Community with Shared Future for Mankind. 19 Oct. http://www.china-un.org/eng/zgyw/t1503758.html. Accessed 26 Oct 2017.

[51] David Dollar (2015) The AIIB and the 'One Belt, One Road'. Brookings. https://www.brookings.edu/opinions/the-aiib-and-the-one-belt-one-road/. Accessed 26 Oct 2017

[52] Weidong Liu, Michael Dunford (2016) Inclusive globalization: unpacking China's Belt and Road Initiative, Area Development and Policy 1(3):323-340. Such a view, though, is not undisputable. As Dollar writes, "the contributions that these initiatives together make to China's demand are likely to be too small to be macroeconomically meaningful." See: David Dollar (2015)

[53] Similar narratives include, for instance, "a community of shared future for mankind," and promoting "benefit-sharing world through partnerships worldwide." See: Xinhuanet. 19th CPC National Congress http://www.xinhuanet.com/english/special/19cpcnc/index.htm . Accessed 31 Oct 2017

[54] Gabriel Wildau, Nan Ma (2017)

majority holding. The four state-owned commercial banks are: The Bank of China (BoC), the China Construction Bank (CCB), the Agricultural Bank of China (ABC), and the Industrial and Commercial Bank of China (ACBC). The Law of the People's Republic of China on Commercial Banks was adopted in 1995 to commercialize the operation of the four state-owned banks, and amended in 2003.[55]

The China Banking Regulatory Commission (CBRC) released the Guidance to the Banking Sector on Supporting Major Projects (CBRC no.43, 2015) in August 2015,[56] enlisted the BRI as one of the important projects that the banking sector shall provide support to. President of BoC announced that in the year 2016, BoC has released the loan of $60bn to BRI projects.[57] President of the ICBC announced that ICBC has contributed to the infrastructure projects in foreign countries with the amount exceeding $80bn.[58] ICBC has release loan of $23.5bn for projects along the BRI, CCB with the loan of $6bn for 46 projects in 14 countries along the BRI in recent years.[59] Reports from the Phoenix Financial Daily Report summarizes that by 2017, BoC is involved in about 460 projects along the Belt and Road, with investment in projects exceeding $437.2bn, ICBC offered the amount of loan of $67.4bn, and ABC is engaging with foreign business with the amount of $92.5bn.[60] The amount of investment by BoC has been confirmed by the news released by BoC,

[55] According to the Law of the People's Republic of China on Commercial Banks, the state-owned commercial banks may have the following business (Art.3 of the Law of the People's Republic of China on Commercial Banks): Absorb public deposits; issue short-term, medium-term and long-term loans; arrange settlement of both domestic and overseas accounts; handle the discount of negotiable instruments; issue financial bonds; issue cash and sell government bonds as agents; buy and sell government bonds; do inter-bank lending and borrowing; buy and sell per se or as agents foreign exchanges; provide credit card service and guarantee; handle receipts and payments and insurance businesses as agents; provide safe boxes; undertake other businesses approved by the People's Bank of China.

[56] Non-official translation. 关于银行业支持重点领域重大工程建设的指导意见 [Guanyu Yinhangye Zhichi Zhongdian Lingyu Zhongda Gongcheng Jianshe de Zhidao Yijian], 银监发 [2015]43 号, 中国银监会国家发展和改革委员会发布，2015 年 8 月 21 日 (CBRC no.43, 2015, released by the National Development and Reform Commission of the CBRC). The CRBC is China's banking regulator.

[57] 杨中华：境外贷款增速加快，国有大行布局"一带一路"区域，[Yang Zhonghua, Jingwai Daikuan Zengshu Jiakuai, Guoyou Dahang Buju Yidaiyilu Quyu] 界面新闻，2017 年 4 月 10 日 Zhonghua Yang (2017) Loans to Foreign territorial projects increase, big commercial banks set banking framework along BRI. Jiemian News. 10 April

[58] 易会满：商业银行要做"一带一路"金融服务生力军，[Yi Huiman, Shangye Yinhang Yaozuo Yidaiyilu Jinrong Fuwu Shenglijun] 2017 年 5 月 19 日，财新网 (Huiman Yi (2017) Commercial banks will be pillaring the financial service of the BRI. Financial News. 19 May)

[59] Zhonghua Yang (2017)

[60] 金融事业部出品，金融机构参与"一带一路"高峰论坛舆情研究报告，[Jinrong Jigou Canyu Yidaiyilu Gaofeng Luntan Yuqing Yanjiu Baogao]凤凰财经, 2017 年 5 月 25 日 (Phenix Financial News (2017) Research report on the financial institutions' participation in the BRI forum. 25 May)

that by 2016 an amount of $60bn of loans is provided to projects along the Belt and Road, leveraging investment exceeding $400bn; BoC has as well issued BRI bonds totaling $7bn outside of China, attracting international investors.[61]

3.1.2 Policy Banks

The domestic policy banks, namely the China Development Bank (CDB) and Export-Import Bank of China, offer long-term loans with low interest rate and conduct equity investment in China-foreign cooperative investment funds. The Chinese policy banks contributed $134bn to the overall $292bn, with $110bn from CDB and $24bn from Eximbank of China.[62] CBD has provided loans to more than 1200 projects along the Belt and Road, in more than 50 countries, while the Eximbank of China financing more than 1,000 projects in 49 countries involved in the OBOR initiative and established foreign investment special loans for the BRI.[63] Indeed, the financing mother lode for BRI "will continue to come from bilateral lending by the Chinese policy banks".[64]

Funded mostly by state revenue and expenditure, the policy banks are not interest-oriented. They focus on the common good and social benefit.[65] Aside from the state revenue, the CDB issues mid-to-long term bonds to finance the investment. Both the CDB and Eximbank of China belong directly to the State Council of China.

3.1.3 Others

Other financial supports to the BRI include the funding through the new financial institutions as elaborated in section 3, and support from joint-equity banks and mid size commercial banks in

[61] 田国立：构建金融大动脉，助力"一带一路"建设再上新台阶，[Tian Guoli, Goujian Jirong Dadongmai, Zhuli Yidaiyilu Jianshe Zaishang Xin Taijie] 2017 年 6 月 14 日，中国银行网站(Tian Guoli (2017) Construct financial lifeline, facilitating the BRI to a new stage. Bank of China.14 June)

[62] Gabriel Wildau, Nan Ma (2017)

[63] James Kynge (2016)

[64] James Kynge (2016)

[65] Another policy bank in China, the Agriculture Development Bank of China, focuses on agriculture development in China, and is not much involved in the BRI.

China,[66] the China Export and Credit Insurance Corporation,[67] and traditional international financial institutions.[68] Credit insurance mechanism, mostly through the China Export Credit Insurance corporation, provides credit insurance services to help export enterprises to identify and control risks.

3.2 BRI: Projects of infrastructure financing instead of development financing

The BRI projects and their financing mechanisms have constantly been linked with development financing. Development financing, as defined by OECD,[69] highlights the "promotion of the economic development and welfare of developing countries as its main objective".[70] OECD statistics define official development finance as a combination of official development assistance

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[66] For instance, China CITIC Bank, the seventh largest lender in terms of total assets in China, is actively involved in the BRI, providing loans to projects along the belt and road. Reportedly, President TIAN Liguo of BOC said that, there are nine Chinese commercial banks setting up 62 branches at provincial level, providing loans exceeding $1000bn. See, 中行将尝试通过并购扩大一带一路沿线的网络布局--董事长 [Zhonghang jiang Changshi Tongguo Binggou Kuoda Yidaiyilu Yanxian de Wangluo Buju] (Bank of China will try to expand the network along the Belt and Road through Merger (2017) Reuters. 18 May http://cn.reuters.com/article/boc-b-r-plan-0518-thursday-idCNKCS18E053. Accessed 26 Sep 2017

[67] The China Export and Credit Insurance Corporation is the only state-owned policy insurance corporation dealing with export and credit insurance, providing insurance service, including short-term export credit insurance, mid-term export credit insurance, and overseas investment insurance. The China Export and Credit Insurance Corporation also offers consultation to Chinese companies investing outside of China. Reportedly, by June 2017, China Export and Credit Insurance Corporation has supported 1097 export and investment projects along the Belt and Road, exceeding the amount of $320bn, covering fields including transportation, oil equipment, electrical engineering, and so on. It has the paid the amount of $1.67bn as indemnity to companies and banks along the Belt and Road, covering projects in 60 countries along the Belt and Road. See, XIAO Yang, 政策性信用保险为"一带一路"建设增添新动能 [Zhengcexing Xinyong Baoxian wei "Yidai Yilu" Jianshe Zengtian Xingongneng] (Policy Credit Insurance Adds New Engine to the Construction of the Belt and Road (2017) Financial News. 14 June http://www.financialnews.com.cn/bx/jg/201706/t20170614_119131.html. Accessed: 26 Sep 2017

[68] Jim Yong Kim, the World bank Group President, announced at the opening plenary session of the Belt and Road Forum for International Cooperation, that "in partnership with China, other countries, and multilateral development banks, we've initiated the Global Infrastructure Facility and the Global Connectivity Alliance to provide project preparation funds, and transaction structure advice to help accelerate project readiness." See: World Bank (2017) Remarks of World Bank Group President Jim Yong Kim at the Belt and Road Forum for International Cooperation – Opening Plenary Session. http://www.worldbank.org/en/news/speech/2017/05/14/remarks-of-world-bank-group-president-jim-yong-kim. Accessed 31 Oct 2017

[69] OECD's definition of development financing does not lack criticism against such definition, and proposals to broaden the definition have been put forward. See, for instance, "the OECD-DAC definitions of ODA and OOFs are a good starting point, but they need to be reformed to clarify and to take into account all forms of finances aimed to support development". See: Justin Yifu Lin, Yan Wang (2015) China's Contribution to Development Cooperation: Ideas, Opportunities and Finances. pp.16. This part, however, does not aim to categorize the various channels of funding in the financing mechanism of BRI into the terms OECD statistics provide; nor does this article wish to explore the evolvement of such definition of the OECD through the practices of the financing mechanism of BRI

[70] See ii. a) of the definition of the official development assistance by OECD

(ODA)[71], "grants and concessional and non concessional development lending by multilateral financial institutions", and other official flows (OOF)[72].[73]

Admittedly, to an extent the financing mechanisms of BRI and development financing overlap. The policy banks provide financial support to companies and projects involved in the BRI through providing commercial loans and preferential credit, foreign aid loans,[74] setting up investment funds for specific countries or industries, conduct equity investment,[75] and so on. The China Eximbank and its financing mechanism, the "two preferential facilities" (the government concessional loan and preferential export buyers' credit) are perfect examples of development financing. The two preferential facilities are designed to support the governments of the development countries, and the China Eximbank provides financial support to the BRI largely through such mechanism,[76] together with debt financing and setting up investment funds for particular countries or projects. The AIIB and NDB as multilateral financial institutions also provide development financing.

That said, the BRI financing from domestic commercial banks in China does not fall under the category of either ODA or OOF. The main financial mechanisms through which the state-owned commercial banks finance the BRI include bank credit, syndicated loans, bond financing both domestically and in foreign countries, and other financial services. Bank credit is mostly provided

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[71] The official development assistance (ODA) is defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are i. provided by official agencies, including state and local governments, or by their executive agencies; ii. Each transaction of which a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)

[72] The other financial flows (OOF) are defined as official sector transactions that do not meet official development assistance criteria

[73] Official Development Finance, Glossary of Statistical Terms. OECD. https://stats.oecd.org/glossary/detail.asp?ID=1893. Accessed 26 Sep 2017

[74] The Chinese government's definition of foreign aid enlists financing mechanisms that overlap with the financing mechanism of the BRI. According to the State Council White Paper on China's Foreign Aid, China provides grants, interest-free loans, and concessional loans, with 8 forms of foreign aid: complete (turn-key) projects, goods and materials, technical cooperation, human resource development cooperation, medical teams sent abroad, emergency humanitarian aid, volunteer programs in foreign countries and debt relief'. State Council (2011) White Paper on China's Foreign Aid. pp.8. Financial resources for Chinese foreign aid, as written in the white papers, are, a) grant, b) interest-free loan from the government budget, and 3) concessional loans issued by the Exim Bank of China. The BRI projects, with concessional loans issued by the Eximbank of China, have an element of foreign aid

[75] An example of such funds set up the CDB, though not for the BRI, is the China-Africa Development Fund set up by CDB, conducting equity investment in Chinese companies and projects investing and trading in Africa, to provide financial support to the companies and projects.

[76] The two preferential facilities provide loans with low interest rate (2-3%), and long period (15-20 years, with the option of only paying back the interest for a period, and paying back certain amounts every half a year). Such financial mechanism is, thus, preferred by developing countries.

by the commercial banks to foreign companies and industries in purchasing electromechanical products. The state-owned commercial banks initiated syndicated loans to join international pension funds, insurance companies, sovereign wealth funds, private equity funds and others in issuing loans, so as to reduce the risk in investment. An example being CCB partnering with IE Singapore, a state-owned trade development board, to finance OBOR projects. The state-owned commercial banks issued bonds to finance the BRI projects as well. The ABC issued RMB bond in mid-East in 2014; the CCB issued Maritime Silk Road Bond of RMB1bn in 2015 to finance the BRI, which was rated as A2 by the rating agency Moody's; the BoC issued bonds of $4bn to finance the BRI.[77] Other financial services provide by these commercial banks include insurance, equity investment, external guarantees, fund and financial leasing, and so on.[78] Such an exploration of the financial mechanisms of the domestic banks apart from the policy-banks reveals the market nature of the projects, that they are conducted by private entities seeking to increase their revenues through joining the BRI projects. The percentage of financing from domestic commercial banks and other financial channels exceeds the percentage of it from policy banks. Thus, the largest portion of the BRI projects are revenue-oriented infrastructure businesses, which are largely different from development financing. Infrastructure financing fundamentally focuses on building infrastructures and financing mechanisms supporting such building activities,[79] and seeks mutual – not necessary equal – benefits.[80]

The financing of BRI projects through policy banks & new institutions fall into the category of development financing. Development financing reflects the political objectives of China: The financing through policy banks are policy-oriented, while the political objectives and effects are inevitably present in the new institutions, as argued in part 2 of the chapter. China's global strategy is deployed, in the case of BRI, through a combination of infrastructure financing and development financing.

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[77] 朱振鑫，"一带一路"融资机制全梳理，民生证券研究院，[Zhu Zhenxin, Yidaiyilu Rongzi Jizhi Quan Shuli] 2017 年 3 月 22 日 (Zhenxin Zhu (2017)A Scrutinization of the Financing Mechanism of the BRI. Minsheng Securities Research Center. 22 March)

[78] For a detailed narrative on the financing mechanism and the current situation of the financing of the BRI, see: Zhenxin Zhu (2017)

[79] There are clear indications of commercial and diplomatic interests attached to the project: it is the Ministry of Foreign Affairs rather than the Ministry of Commerce that deals with strategic plan in finance for development. For a detailed narrative on the institutional arrangement within China on development cooperation, see: Jing Gu (2015) China's New Silk Road to Development Cooperation: Opportunities and Challenges. In: Rahul Chandran and Hannah Cooper (ed) United Nations University Centre for Policy Research. pp.2-3

[80] Jing Gu (2015)

3.3 China's global strategy through infrastructure financing

Infrastructure financing, together with the development financing elements within the BRI, emerged when the traditional "western" banks and financial institutions are constrained to provide much financing for infrastructure projects in underdeveloped regions and countries. Since the 2007-8 global financial crisis (GFC), the banking regulations under Basel III has reduced the financing in the form of syndicated bank loans, which has been the traditional source of finance for infrastructure investment. The GFC has as well left surge in domestic liquidity in various "western" countries, leaving the institutional investors lacking the capital for investment. In terms of the loan maturity, "nowadays, banks tend to limit loan maturity to five or eight years, while infrastructure projects typically require amortization of debt over 15 to 20 years".[81] "Western" banks are disappearing from the market of the Asian infrastructure activities. "By the end of 2016, just one western bank was in the league tables for the top 20 bank financiers for infrastructure in Asia, data from Dealogic shows".[82]

While the banks are playing a lesser role in long-term investment, it paves the way for a greater role of long term investors.[83] Against the drop of capital market-based finance, especially of it in Asia, China is stepping in and playing a huge role. Among the top 10 bank financiers for infrastructure in Asia, Dealogic shows that "Chinese banks took seven places, up from one the year before."[84] Banks from China, mostly state-owned commercial banks and policy banks, are taking, by estimation, 60% of the market of infrastructure finance in Asia in the year 2016.[85] For China, with the largest domestic development banks among emerging markets – a joint capital base of over $100bn, worth nearly 70% of the total capital base of the domestic development banks in BRICS – the country is well equipped with the financial power.[86] In this era of political uncertainty and

[81] Rabah Arezki el al (2016) pp.7-8

[82] "Crédit Agricole retained the number 18 spot on the list, with $854m." See: Don Weinland (2017)

[83] Such investors include, sovereign wealth funds, pension funds, and insurance companies. See: Rabah Arezki et al (2016)

[84] Don Weinland (2017)

[85] "In 2012, banks from China that made it into the top 20 did $4.47bn in infrastructure finance in Asia, holding 11.2 per cent of the total market. Four years later, Chinese banks did $38.4bn, more than 60 per cent of the market." See: Don Weinland (2017)

[86] European Political Strategy Centre (EPSC) (2015) The Asian Infrastructure Investment Bank: A New Multilateral Financial Institution or a Vehicle for China's Geostrategic Goals. EPSC Strategic Notes. Issue 1. 24 April.

increasing protectionism, the benefiter of globalization, in this case, China, created by globalization, will be in defence of it.[87]

The space for China to step in meets China's global strategy, one that highlights national rejuvenation and major-country diplomacy. Through the infrastructure financing and development financing involved in the BRI, China's strategy could be largely furthered.

Such expansion of infrastructure financing through Chinese capital, however, is not of no risk to the international financial system. The "world is today more awash in debt than ever".[88] Since the financial crisis, the world is left with an enormous accumulation of debt. Figures from Dealogic shows that the debt issuance by supranational organizations has doubled in the last decade.[89] At the times of 2007-8, facing the financial crisis, the Chinese government started "an enormous wave of easy loans channelled through the state-owned banking system", leading to it today that "in absolute terms, China's total debt has ballooned from about $6tn at the time of the financial crisis to nearly $28tn by the end of last year," and "as a percentage of GDP, total debt has risen from 140 per cent to almost 260 per cent over the same period."[90] With the big economies, including USA and China, largely on debt, the impact of the deeply indebted world, in which the BRI is accumulating more debt, remains to be seen.

4 Conclusion: BRI in a world of struggle

The BRI has encountered obstacles since the launch of it. Financial Times investigated three projects of the BRI in Laos, Indonesia, and between Serbia and Hungary respectively, finding obstacles facing each project. The affordability of the project in Laos was doubted, given Lao's "capacity to take on and absorb debt"; the one in Indonesia is facing obstacle with the political systems of Indonesia, in particular its "vibrant democracy with strong land tenure laws"; the Chinese high-speed rail project in Europe faces official suspicion with an investigation on-going, checking the viability of the funding as well as "whether it has violated EU laws stipulating that

[87] Globalization has led to optimistic results. As Martin Sandbu writes, in the quarter-century from 1990, "the absolute number of people living in 'extreme poverty' has fallen from 2bn to less than half that"; "rich countries made up 80 percent of nominal global economic output in 1990", and now "that number is barely 60 per cent." Through this process, "globalisation has created its own defenders. Thanks to economic integration, (much of) the developing world has become richer — which constitutes both a benefit and a source of power to shape world affairs." See: Martin Sandbu (2017) Globalisation and its defences. Financial Times. 27 March.

[88] Martin Sandbu (2017)

[89] Kate Allen (2017) Supranational debt issuance more than doubles in a decade. Financial Times. 9 August

[90] Jamil Anderlini (2017) China's economy is addicted to debt. Financial Times. 15 August

public tenders must be offered for large transport projects."[91] The nuclear export projects are, as well, facing challenges.[92] The underlying premise of infrastructure financing, that it will work because it worked in China, might be challenged for the differences between countries and regions along the BRI and China: The huge population, collective political system, and ample debt capacity of China make it a rather special case. Besides, there are unpredictable factors along the BRI that are risking the projects.[93] In the year 2017, the Chinese investment in the initiative slowed: "Outbound foreign direct investment to BRI countries fell 2 per cent in 2016", "outstanding loans from CDB fell by $1bn in 2016 to $110bn" by the end of 2016,[94] and "the role of the Asia Infrastructure Investment Bank… is comparatively tiny".[95]

China, the rising power, holding the second largest GDP and with experience of investment activities in Africa and Latin America, is eye-catching whatever it does. Its economic and political influence challenges the dominant economic powers, threating the established structural biases in the system of international economic order. Meanwhile, while the governing party of China takes pride in economic achievement, such development has encountered challenges domestically with the increasing income-gap, industrial surplus and challenges from the side of environment and other social standards.

The BRI project, a governmental initiative, is part of China's global strategy. In a world of struggle, each and every actor is taking actions, making strategic moves, to further its interests. It's a constant competition for power and interest. Taking the decision on the balance of representation in the board of AIIB as an example. Reportedly, Beijing "offered to forgo the veto power and reduce its voting rights to less than one-quarter if Japan or the United States had been willing to join the new bank as founding members."[96] While March 31, 2015 was set as the deadline for founding membership of AIIB, in that month, a three-way foreign minister's meeting was held in Seoul for China, Japan and the Republic of Korea to exchange views on AIIB-related issues. "Out of complex

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[91] For detailed analysis, see: James Kynge, Michael Peel, Ben Bland (2017) China's railway diplomacy hits the buffers. Financial Times 17 July

[92] Matthew Cottee (2017) China's nuclear export ambition run into friction. Financial Times. 3 August. The major obstacles for nuclear projects include environmental consciousness and the dwindling market competition in nuclear energy providing industry.

[93] "In Libya, for instance, the outbreak of civil war in 2011 put paid to a $2.6bn project to build a line from Tripoli to Sirte, hometown of the late dictator Muammer Gaddafi." See: James Kynge, Michael Peel, Ben Bland (2017)

[94] China Development Bank is the largest of China's three state-owned non-commercial "policy banks"

[95] Gabriel Wildau, Nan Ma (2017)

[96] Gregory T. Chin (2016)

considerations, Japan and the USA decided not to join, at least for the moment."[97] Apparently, both Japan and the USA's decisions are based on interest consideration. Another example being the process of AIIB membership application within the European context. United Kingdom applied for membership shortly after informing GC members of its decision,[98] while France, Germany and Italy coordinated their own applications a few days after United Kingdom's application. Various other European nations applied before the applications closed on 31 March 2014 to become founding members.[99] As the European Political Strategy Centre, the European Commission's in-house think tank writes, "14 EU Member States have signed up for the AIIB but not in a coordinated manner and without ensuring representation for European institutions such as the European Investment Bank or the European Commission".[100] It's a world of struggle, where each actor makes decisions based on its expertise for the purpose of furthering its interests. The BRI is, essentially, the strategic move of China, the rising power. As a strategic move, this chapter elaborates through the financing mechanism of the BRI– consisted of development financing (the financing through new financial institutions domestic policy banks of China) and infrastructure financing, it is not a tale of ending poverty.

Indeed, the tale of ending poverty is, a tale. The question that came to me after attending the panel is answered: "End poverty" is the middle-ground between various actors, including the sovereign nations, new and established financial institutions involved in the BRI. The moral endowment and indeterminacy of the term enables WB and other international institutions to engage with the BRI for the purpose of its own agendas. The term offers a narrative of the establishment of the AIIB and NDB, that they filled in the gap in financing for infrastructure building along the BRI, yet not telling the story of the struggle of the member countries of the new institutions for strategic advantages in multilateral lending and global economic governance, and largely hiding the political objectives and effects of particular countries within the new institutions. The term, as well, facilitates China to deploy its global strategy in the political economy of the contemporary world. It is claimed as a win-win, as various policy analysis emphasizes,[101] but the

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[97] Ren Xiao (2016) China as an institution-builder: the case of the AIIB. The Pacific Review 29(3):435-442. pp.437

[98] Reportedly, The United Kingdom was interested in attracting Chinese finance to London rather than Frankfurt. See: (2015) China Will Not Thank. Financial Times. 17 March

[99] For details of the response of major European countries, US, Japan, Australia, South Korea, see: Mike Callaghan, Paul Hubbard (2016)

[100] EPSC (2015)

[101] See, for instance: Xinhua News (2017) Spotlight: Belt and Road Initiative brings win-win results. 16 May. http://news.xinhuanet.com/english/2017-05/16/c_136288592.htm. Accessed 26 Sep 2017.

essential meaning of ending poverty is not of concern. Who cares when the elites' power over their populations are strengthened through the BRI projects, that the living standards, the social well-being of those suffering from the consequences of economic globalization deteriorates further?

In the context of China's development cooperation with the South, it is argued that "Chinese aid projects seem to have generated few local employment opportunities".[102] This tale of ending poverty aims to offer a rather cautious reading into the BRI. There is, probably, never enough critical voice.

[102] "Many African officials are concerned that Chinese workers are displacing local workers". See: Célestin Monga, Justin Yifu Lin (2015) The Oxford Handbook of Africa and Economics: Policies and Practices. Oxford University Press. pp.807