

AIIB: A morality play for India

Author: M.K. Bhadrakumar March 28, 2015

China's foreign policy fired all eight cylinders on Saturday. There has been a stampede of countries wanting to be founder members of the Asian Infrastructure Development Bank [AIIB] – South Korea, Australia, Brazil, Russia, Netherlands, Switzerland, Georgia and so on. Even Taiwan — if only Beijing could find a way to admit an entity that it considers a part of China. Monday is the deadline for aspiring applicants.

Clearly, the United States' 'pivot' to Asia is in trouble, big trouble, and without the pivot, there is uncertainty how a steady erosion in America's standing in Asia can be averted. The US has been badly exposed as being at odds with the prevailing sentiment in the Asian region. The AIIB has busted a hole into the US' 'pivot' strategy through which even the Indian elephant can pass. A Trans-Pacific Partnership agreement with the obsessive idea of 'containment' of China seems more problematic than ever.

What has happened is seen as a policy failure on the part of the Barack Obama administration and a manifestation of the dysfunctional American political system whereby the Congress could stall for 4 years already the quota reform measure for the International Monetary Fund [IMF] that would have pacified China by granting it a greater voice in the fund. But then, there is much more to it. China is aiming at something much bigger, much more profound in scope and objectives.

China is changing the balance of power in Asia itself. A historic power shift is under way. The document released in Beijing on Saturday on the 'Belt and Road Initiative' is breathtakingly ambitious in scope. If half of what it says could be realized, China will have already risen as a great power on the world stage exclusively on terms it set and negotiates for itself.

The stark alternatives sketched by pundits, drawn from European history and World War I as regards the dialectic involving the rise of great powers and the resistance to it by established powers, do not seem to be applicable to the Asian drama. Simply put, the European parallels are grossly inappropriate for contemporary Asia. China's Asian neighbors are learning to live with China, are willing to engage with it while also preserving their relations with the US. China is comfortable with the idea, too. In strategic terms, China is leaving the US hardly any wriggle room but to take a second good look at Beijing's standing offer to create a 'new type of relationship' between the two big powers.

The 'Vision' document titled "Vision And Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road" (1) details the action plan whereby China hopes to change the world political and economic landscape through participating in the development of countries along its proposed Silk Routes. In a nutshell, geo-economics is forcing geopolitics to the margins. By volunteering to share its prosperity with its Asian neighbors, Beijing rubbishes the petard of 'assertive' China, which the US has hoisted on the Asian landscape as the *raison d'être* of its 'pivot' strategy. The document released on Saturday says,

“The Silk Road Economic Belt focuses on bringing together China, Central Asia, Russia and Europe (the Baltic); linking China with the Persian Gulf and the Mediterranean Sea through Central Asia and West Asia; and connecting China with Southeast Asia, South Asia and the Indian Ocean. The 21st-Century Maritime Silk Road is designed to go from China’s coast to Europe through the South China Sea and the Indian Ocean in one route, and from China’s coast through the South China Sea to the South Pacific in the other.

“On land, the Initiative will focus on jointly building a new Eurasian Land Bridge and developing China-Mongolia-Russia, China-Central Asia-West Asia and China-Indochina Peninsula economic corridors.”

The Chinese initiative aims at promoting policy coordination with its partners, facilitating connectivity and investment and trade, financial integration (through building a currency stability system in Asia, for example).

On Saturday, President Xi Jinping inaugurated the annual Boao Forum and in his opening address too, China’s soft power took the centre stage.⁽²⁾ Xi harped on the need of an Asian community that eschews zero-sum mentality and cold-war mindset. Xi offered that China is willing to sign treaties of good-neighborliness and friendship and cooperation with all its neighbors. “What China needs most is a harmonious and stable domestic environment and a peaceful and tranquil international environment,” Xi said. He committed China to accommodate “the interests of others while pursuing own interests”.

In his speech, Xi presented the Chinese market as the driver of growth for the Asian economies. He outlined that China will import more than \$10 trillion worth goods in the coming five-year period and proposes to make investments abroad in excess of \$500 billion. Xi visualized that in excess of 500 million Chinese tourists will be making outbound visits during this period.

The Chinese thinking on the AIIB has evolved and it is far too simplistic to view it as a pincer aimed at the heart of the Bretton Woods system or in a spirit of competition with Washington. Clearly, China does not want to destroy the existing international financial system but instead seeks a greater say in its running and management and if that doesn’t happen, China will go its own way. In fact, Xi said China will promote a system of regional financial cooperation, explore a platform for exchanges and cooperation among Asian financial institutions and advance complementary and coordinated development between the AIIB and such multilateral financial institutions as the Asian Development Bank and the World Bank.

In the new matrix, China proposes to give full play to the AIIB and the Silk Road Fund by blending them with the sovereign wealth funds of countries along the Belt and Road and by encouraging commercial equity investment funds and private funds to participate in the key Silk Routes projects. The IMF has already shown interest in collaborating with the AIIB.

The AIIB membership drive has underscored the importance of the European states as Asia’s partner during a period when the region is passing through a major transition. On the one hand, the participation of the European countries ensures that

China is obliged to mould the AIIB as an institution of the highest standard in transparency and efficiency. Indeed, the European countries' participation in the AIIB helps shape its rules but on the other hand, it also offsets US opposition. Put differently, on the bigger plane of the global power dynamic, it also strengthens the Europe-Asia side of the US-Europe-Asia strategic and economic triangle, which dominates the world's economy and politics today.

From an Indian perspective, Saturday triggered depressing thoughts of despondency. To be sure, the so-called US-India Joint Strategic Vision Statement for the Asia-Pacific and Indian Ocean Region signed during the visit by President Obama to Delhi hardly two months ago has been rendered irrelevant and archaic. Clearly, India, which, notwithstanding its profession of devotion to the 'Asian Century', is unable to figure out whether China's rise is a good thing or not, has been taken for granted by Beijing as a partner in the Belt and Road Initiative. Beijing has left India with no choice but to tag along lest it gets stranded on the Silk Road.

China seems one hundred percent sure that Delhi cannot sustain its zero-sum mindset, when Asian countries all around it – big and small – find it attractive to partake of the Chinese initiative, which they see as inclusive, non-prescriptive, based on market rules and in a 'win-win' spirit of mutual benefit out of common development. China's extraordinary ability in the geopolitical sphere makes Indian diplomacy look provincial and out of touch with the Asian and global realities.

Notes

(1) VISION AND ACTIONS ON JOINTLY BUILDING SILK ROAD ECONOMIC BELT AND 21ST-CENTURY MARITIME SILK ROAD, Issued by the National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People's Republic of China, with State Council authorization; March 2015

URL: http://news.xinhuanet.com/english/china/2015-03/28/c_134105858.htm

(2) Towards a Community of Common Destiny and A New Future for Asia; Keynote Speech by H.E. Xi Jinping, President of the People's Republic of China - At the Boao Forum for Asia Annual Conference 2015, Boao, 28 March 2015

URL: http://news.xinhuanet.com/english/2015-03/29/c_134106145.htm