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**ASIAN INFRASTRUCTURAL INVESTMENT BANK AS  
INSTRUMENT FOR CHINA'S EMERGING HEGEMONIC  
POWER: EMERGENT THEORETICAL PERSPECTIVES**

**Sampson I. Ekwonna, Ph.D.<sup>1\*</sup> & Juliana Uju Okpara<sup>1</sup>**

<sup>1</sup>Department of Political Science, Imo State University, Owerri, Nigeria.

\*samekwonna@gmail.com

**ABSTRACT:** The Sino-US relations have become the single most significant substance of international politics in the last half a decade or so. It has become the prism through which each of them views her relations with others. An important element of this phenomenon is that it has gradually acquired such multi dimensional and intricate character that is only matched by its delicateness. The import of this paper is to analyse this complex relationship as a natural outcome or corollary of big power dynamism, the movement of power in world history, in which power rises in transition to usurpation of power in a multi dimensional contest. This paper examines the AIIB as a strategic gambit employed by China in an unfolding global challenge to US hegemony. This is essentially as explanatory research to interpret this relationship in the frameworks of two theories: Power Transition Theory and Realist Space Dynamics theory.

### **Introduction**

For more than four decades after World War II, the main ingredient of global politics was the US-Soviet rivalry and, on the demise of the Soviet Union, Russia sought to succeed to the Soviet role in that rivalry. And, that rivalry was driven by the nuclear-military technology and the fear of the high probability of mutual annihilation. However, in the last three years or so, China has completely upstaged Russia that the latter's escapades in the Middle East and Europe struggles to get some clippings hidden in the irrelevant columns in the obscure pages of global press. What we have is US-China rivalry and which is driven not by nuclear arms but by trade, high technology and high finance. In ideological terms, scholars in the West (and, certainly, not from China) often pass it off as clash between "liberal democracy" and "digital authoritarianism" (Rudolf, 2020). And, just like in the nuclear era, this constitutes the lens through which we can see every other relations and events of global significance. Our intent here is to understand general nature of an aspect of this intense rivalry.

Though the rise of contemporary China benefitted from the globalized world of trade, finance and industry created by the Bretton Woods Institutions (BWI), its new found gravitas leads Beijing to think it deserves a larger say in such institutions, at the same time, it has a realization that Washington would not willingly concede it such role relative to its economic and industrial status as a responsible stakeholder because those institutions, their principles and processes are merely manifestations of American hegemony (Hilpert & Wacker, 2020).

On their part, the Americans have not made any secret of their perception of China as a rival. Across industry, politics, and even in the US Congress with a tendency of even Senators practically pursuing their own foreign policies, there is a bipartisan perception of China as a global threat to US interests, as a result of “China’s more strongly mercantilist economic policy and its growing assertiveness in foreign policy”. On the overall, China is perceived as a “revisionist power” with the “long term goal of global supremacy” (Paul & Overhaus, 2020).

This paper shall examine this complex relationship within the frameworks of two theories: Power Transition Theory and Realist Space Dynamics theory, to understand the larger significance of the emergence of the Asian Infrastructure Investment Bank (AIIB) as a rival to the dominance of the Bretton Woods Institutions (the World Bank, IMF, and others) within the context of the Sino-American relationship of deepening rivalry.

### **Objectives of Study**

The specific objectives of this paper would include the following:

1. To examine the nature and impact of the AIIB on the politics of global high finance;
2. To highlight areas of cooperation and probable conflict between AIIB and the Bretton Woods Institutions; and
3. To frame the power implications of the AIIB as an instrument for China’s global strategic goals, within the frameworks of PTT and RSD theory.

### **Methodology and Research Design**

This paper is an explanatory research adopting a content analysis method, aimed at subjecting the existing body of facts to a context of interpretation in order to induce greater clarity and, thus, greater meaning. The data are culled from secondary sources in form of official publications and publications in books, journals, and other periodicals.

The analytical framework in question comprises of the Power Transition Theory (PTT) and Realist Space Dynamic (RSD) theory. We shall employ the PTT to understand the nature of the relationship or rivalry between the US and China; and, the RSD shall be adopted to explain the strategy of the challenger to undermine the position of the hegemonic power, all within the realist paradigm.

The subsequent pages of this paper shall consist in the following subsections:

1. Explication of concepts and analytical framework.
2. AIIB: nature and impact on politics of global high finance;

3. AIIB and BWI: Cooperation and conflict;
4. AIIB as China's strategic tool
5. Conclusion.

### **Explication of Concepts and Analytical Framework**

**a. Concepts:** The two most prevalent concepts of this paper are AIIB and Bretton Woods Institutions (BWI):

**(i) AIIB:** Asian Infrastructure Investment Bank. It was set up in January 2016 by a consortium of states led by China, United Kingdom, France, Germany, and fifty-four other countries and Multilateral Development Banks. Currently, it has an approved membership of 102 countries. With its Head Quarters in Beijing, China, it serves Asia and the Oceania.

**(ii) Bretton Woods Institutions (BWI):** This refers to a finance and monetary system comprising of the World Bank group comprising of: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), etc. set and the International Monetary Fund (IMF), etc. Beginning with the World Bank and IMF, these entities were the outcome of negotiations conference at the founding of the United Nations system, held at the Bretton Woods, New Hampshire, United States in July 1944, from where the group got its popular alias.

### **b. Analytical Framework:**

#### **Power Transition Theory**

Power transition theory (PTT) is a theory about the nature of war, in relation to power in international relations. The theory was first published in 1958 by A. F. K. Organski, in his book, *World Politics* (1958). The major tenets of this theory consist in the following aphorisms: (1) An even distribution of political, economic, and military capabilities between contending groups of states is likely to increase the probability of war; (2) Peace is preserved best when there is an imbalance of national capabilities between disadvantaged and advantaged nations; (3) The aggressor will come from a small group of dissatisfied strong countries; and (4) It is the weaker, rather than the stronger power that is most likely to be the aggressor.

Power transition theorists examine the order of power in the international system, and how states are either satisfied or dissatisfied with the distribution of power. The state on top dictates the resources and conditions based on its power. Other states below it can then decide if they are satisfied or not satisfied with the power. However, a rising power unsatisfied with the current rules of the system, and existing resource structures might be the conditions that could lead to conflict. If states under the major power are satisfied, then they help ensure peace and stability. However, if states are unsatisfied, this could be a cause of

conflict in international relations (Kugler & Organski, 1989). Unfortunately, being dissatisfied alone is not enough for conflict. The aspirant or challenger must have the power to credibly challenge the dominant power. This means that the biggest concern for a major international war is when a dissatisfied state rises in power to directly challenge for the top position. The smaller the power gap between the two top states, the more the chances of conflict arising (Power Transition Theory, 2020; Kugler & Organski, 1989; Organski, 1958). Lai (2016) added that, power transition is only set in motion by the rise of a previously underdeveloped big nation, dissatisfied with the existing international system and its powerful stakeholders. As its national power grows and expands, this rising power develops the impulse to make changes, intentionally or compulsively, to the rules of the system that is perceived to work against its interests.

China's creation of the Asian Infrastructure Investment Bank (AIIB) has frequently been cited as evidence of the probable projections, or viewed as a signal that China is a revisionist power, intending to disrupt the international system (Yilmaz & Xiangyu, 2018; Lai, 2016; Feng, 2013).

The shortcoming of the PTT in our application here is that it focuses too much on the cause and objective of power and its transfer but does not capture the finesse of that contest. How can the rising power mount a challenge to alter (the rules of) the system to make the system favourable to its interests? It is through a contest either in an all-out war to destroy the system with its hegemon (as in World War II), or in a series of graduated skirmishes to wear down the hegemonic power in combat, or through other non violent but equally hostile measures, or any combinations thereof. For now China has opted for the non violent but hostile alternatives. The choice of strategy is the domain of RSD theory.

### **b. Realist Space Dynamics (RSD) Theory**

The Realist Space Dynamics theory was put forward in the paper by S. I. Ekwonna (2017, Pp.97-114) "National Security and Insurgency in Nigeria: An Analysis of Fourth Generation Warfare: Introducing Realist Space Dynamics Construct as Framework". Taking its roots in the physical laws of nature as studied in the physical sciences, some of the major principles of this theory include the following:

(i) All contests have meaning only within an arbitrarily defined space composed in dimensions of mathematical limitlessness or possibilities; and in which adversaries seek to effect curvature. Space and its dimensions are geophysical, value, ideational, virtual, or any combinations of these. Curvature is the ability to impose ones will on the history of time and space.

(ii) The introduction or number of dimensions is a function of the limitations of the parties, to seek leverage for power.

(iii) Dimensions are added by adversaries as they seek leverage or, simply, to stretch a rival's resources too thin, into ineffectuality. Developing, adding, neutralizing, and leveraging dimensions are both ingredient and nature of this contest.

(iv) Success or objective is identified as the ability to inflict curvature at will in the defined space or its dimensions.

The Realist Space Dynamics theory locates the setting up of the AIIB as just a dimensional move by China in a much larger context of a struggle with the USA for global preeminence.

## **2. AIIB: Overview and Impact on the Politics of Global High Finance**

### **a. The AIIB: An overview**

The creation of the AIIB is part of a broader re-orientation of China's foreign international economic policy that has taken place since Xi Jinping became the General Secretary of the Communist Party of China in 2012 and president of China in 2013. The AIIB was part of a more significant project- the One Belt One Road initiative, known as the Silk Road Economic Belt and the Twenty-first century Maritime Silk Road, was proposed by leader Xi Jinping during a visit to Kazakhstan and Indonesia in September and October 2013. He has pursued an ambitious foreign policy agenda to deepen economic, security, and political ties in the Asian region. Scholars have linked China-AIIB's creation directly to the long delay in US approval of IMF's governance reforms, which among other things increased China's financial contributions and voting power in the IMF (Weiss, 2017). The AIIB's creation is also said to be a response to Asia's large infrastructure financing gap. According to an Asian Development Bank (ADB) report, around 8 trillion US dollars in investment will be needed for the region to upgrade national infrastructure for energy, transport, telecommunications, water, and sanitation during 2010 to 2020. In addition, the region will need to invest approximately 300 billion US dollars on regional pipeline infrastructure projects in transport, energy, and telecommunications. This amounts to an overall infrastructure investment need of about 750 billion US dollars per year during the period. In contrast, major multilateral development banks, namely the World Bank and the Asian Development Bank (ADB), have only invested 10 to 20 billion US dollars annually for infrastructure construction in Asia. Thus, leaving a large economic gap for AIIB to fill (Wu, 2017; Subacchi, 2015).

Chinese President Xi Jinping declared that the emergence of the AIIB will effectively boost investment to support infrastructure development in Asia, bring better investment environment, as well as more job opportunities. Further, the AIIB will trigger greater medium- to long-term development potential on the part of developing members in Asia, thus, giving rise to economic growth in Asia and the global community. President XI added that the presence of AIIB means a great deal to the reform of the global economic governance system and is, also, consistent with the evolving trend of the global economic landscape. This would make the global economic governance system more just, equitable and effective (Wu, 2017).



The AIIB is driven by the core values of Lean, Clean and Green. Lean because it will have focused mandate and strive to be nimble and client-focused. Clean because it will operate to the highest standards with zero tolerance for corruption, and Green because it will support members to meet their nationally determined commitments under the Paris Agreement (Horta, 2019; AIIB, 2020).

The AIIB identified 3 areas of major focus. They include- sustaining infrastructure: promoting green infrastructure and supporting countries to meet their environment and developmental goals. Cross-country connectivity prioritising cross-border infrastructure, ranging from roads and rails, to ports, energy pipelines and telecoms across central Asia, and maritime routes in South East and South Asia, and Middle East, and beyond. And finally, private capital mobilisation, devising innovative solution that catalyse private capital in partnership with other MDBs, governments, private financiers and other partners (AIIB, 2020; Gerszt, 2019).

### **b. Impact of AIIB on Politics of Global High Finance**

The emergence of the AIIB has given the emerging economies a stronger voice, even though they are still modest in size and hardly constitute a paradigm shift. AIIB's presence has helped to stimulate competition. For instance, the ADB has expanded its lending. Japan launched the Quality Infrastructure Initiative, and the US announced the Blue Dot Network. The AIIB's emergence has also helped to firm up the Western powers' grip on the established IFIs. When the US in 2012 nominated Jim Yong Kim as World Bank president, there were well-qualified alternative candidates from Africa and Latin America. Many saw it as a step towards the US giving up its monopoly on the World Bank's leadership, and the European countries on the IMF. In 2019, the US nominee David Malpass was elected as World Bank president, the Bulgarian Kristalina Georgieva as managing director of the IMF, and the Japanese Masatsugu Asakawa's expected appointment as ADB president, all three without opposition from the emerging economies. Consequently the call to reform existing institutions voting formula is on the rise (Wihtol, 2019; Nguyen, 2020).

The AIIB's establishment has demonstrated that multilateralism does not need to be directed by the West. It demonstrated that China can foster a reputation as a responsible rising power that is actively building and supporting a stable and prosperous world order. The AIIB may not replace the World Bank and IMF, but it does signal that the days of Western states dominating international development lending are coming to an end. Consequently, the AIIB has the potential to increase China's authority in the international sphere. The AIIB provides leverage from the threat of "exit," by offering an alternative to the existing Bretton Woods system of multilateral development lending, and so has expanded liberal internationalism. The importance and impact of the AIIB should not be underestimated. It has significantly challenged the authority of traditional rule-makers, whose ability to set the international agenda and shape the global environment is waning (Kelley, 2019; Wihtol, 2019). On the overall, this provides some exit from the U.S.-dominated institutions that give it hegemony in the politics of international high finance.

### **3. AIIB and BWI: Conflict and Cooperation:**

#### **a. Conflict**

What makes the Asian Infrastructure Investment Bank (AIIB) different is its project-centred focus, reluctance to play an advisory role to the borrowers and its adherence to a principle of non-interference in borrowing countries' domestic economic policies. And, critics harbour fears in the prospects for the future: (i) This will give authoritarian regimes access to funds without adherence to certain (Western) standards in the field of environmental and social protection, democracy and the rule of law; (ii) This development has caused fear in World Bank, where it is felt that the AIIB may disrupt the multilateral development financing that has been developed within the Bretton Woods system, and has been practised by multilateral development banks over the years if the AIIB offers loans with fewer strings attached and pursuant to reduced standards of transparency and accountability; (iii) Given China's past record of bilateral lending by allowing loan recipients to bypass multilateral mechanisms and controls, in some cases fostering negative outcomes, critics feared a "race to the bottom", in which the AIIB would finance projects which were rejected by other banks. Ultimately, under pressure from the competition, this could result in institutions such as the World Bank and the ADB lowering their requirements for granting loans too. The fact that China declared itself in favour of "lean" management of the AIIB from the beginning with a Board of Directors adds to these doubts. For instance, some years back Cambodia was considering a \$600m loan from the World Bank that had conditions of transparency, anti-corruption, and accountability. However, the Cambodians basically told the World Bank to go to hell, and the next day they considered a \$601m loan from China without stringent conditionalities attached (Liao, 2015; Ikenberry & Lim, 2017; Pattharapong, 2018; Bessier, 2018; Duke, 2018; Hillebrand, 2019). This creates gap for potential rivalry.

#### **b. Cooperation**

The AIIB represents an early step in a long-term strategy used by China to weaken and delegitimize the Bretton Woods system's basic foundations and tenets while offering a competitive alternative in the Asian continent, where the World Bank and Asian development Bank have been dominant. In Washington, there are fears that a strong AIIB under China's leadership would cause the USA to lose its influence in Asia. China's endeavours and the resulting New Development Bank (NDB) and AIIB are seen as a symbol of the development of a new Asian financial system with geopolitical and economic consequences that may represent an opportunity to weaken the Bretton Woods Order in the Asian region. The fact that China has primary leadership over a major institution (AIIB), and oversees substantial operations in the world's most dynamic economic region further proves this point. Consequently, the ADB indicated its willingness to cooperate with the AIIB, as well as World Bank and the IMF. For instance, in May 2016 the ADB which is similar to the AIIB was opened to allow emerging economies to boost their capital shares, which would thereby increase their formal power within an institution dominated by Japan and the US. This announcement happened as a result of AIIB's establishment that seemed



like a potential rivalry to the ADB, World Bank, and the IMF (Ikenberry & Lim, 2017; Bessier, 2018).

The AIIB coordinates actively with other Multilateral Development Banks (MDBs) who offered to collaborate with it, like the World Bank, ADB, EIB, EBRD, and the Inter-American Development Bank. They have created new standards and policies for financial and economic review of loan applications, and also harmonised many of their procedures (Ikenberry & Lim, 2017; Wihtol, 2019). This is contrary to expectations, considering US and Japan's opposition.

Though it competes with the IMF, AIIB depends on international capital markets and both are dollar-denominated entities. Some of the clauses that relate to its lending arrangements are similar to those that exist in arrangements with the World Bank and the IMF. The World Bank remains one of the main financing partners for the AIIB. This way, the AIIB can pass on the expensive task of project evaluation and evade the risk of being the main financier.

The AIIB demonstrates that China has exit options, and can credibly threaten to withdraw its participation in existing institutions if its demands for greater formal authority are not met. After all, the failure of the US congress to approve increased voting rights for China within Bretton Woods institutions pushed China to form the AIIB and New Development Bank. Who knows what other card China has up her sleeves? Consequently, China is using these new institutions as a threat to ensure it increases its level of participation and engagement within the Bretton Woods institutions. As well it enhance its position through seeking the redistribution of decision making authority, and also by using its influence to obstruct and contain the progressive evolution of the liberal rules, practices, and norms of an institution in ways that threaten China's interests. The AIIB is seen as a harbinger of a growing split between China and the US, it is also seen as a potential rival institution to the existing liberal institutional order of the Bretton Wood System (Rae, 2017; Ikenberry and Lim, 2017; Gu, 2017).

The emergence of the AIIB has brought about institutional competition, curtailing IMF and World Bank's power, granting non-Western countries a bigger say in international economic affairs. In this regard, Pandit (2019) claimed it will be misleading to label these new entities 'alternatives' to Bretton Woods institutions. He further reiterated that China's leadership in these new bodies by no means indicates that China or the BRICS economies will leave the World Bank or the IMF. For him China has pushed hard for its currency to be included in the IMF's special drawing rights. Since the start of this push, there have been no major instances of renminbi manipulation by China, not even at the peak of the ongoing US-China trade war. Consequently, China's contribution to the World Bank has also increased in the last two years. Also, despite the weakness of the Bretton Woods institutions, China still depends on them for advanced methods and techniques in financial governance. China's role in Bretton Woods is crucial and their relationship complex. China has become a reliable borrower and constructive partner in the Bretton Woods order. Therefore,

IMF's liquidity for the next decade will be largely dependent on China's voluntary contribution to the pool, irrespective of its quota share (Pandit, 2019; Hillebrand, 2017).

#### **4. AIIB as China's Strategic Tool: PTT and RSD as Analytical Frameworks**

The emergence and impact of AIIB and, the response to it by the US and other states can better be understood within the framework of the Power Transition Theory (PTT) and the Realist Space Dynamics (RSD) theory. The two theories are here working in complementary roles, with the PTT in the lead role to explain the otherwise sudden transformation in the Sino-US relations from the cautious optimism in which the Americans sought to court and leverage the relationship with the Chinese to head off the rivalry with the Russians. China offered an attractive prize of more than a billion population market with a rapidly burgeoning middle class with an increasingly dipper pocket and Westernizing taste. For the Chinese, America offered a voracious appetite for low-tech consumer goods from industrial manufactures and the resulting favourable trade deficit. The PTT helps to find the root cause of the fast, bad and worsening relations in the simple law of politics, power, and which is merely symptomized in the formation of AIIB. However, to better understand the role and potentials of the AIIB and what might follow in the future, there is need to see the bank as a strategic card adopted by China in its long, complex, but subtle struggle to nudge the USA off its perch as the global hegemon. The RSD explains the bank as one more dimension opened up by the challenger in its bid to stretch power resources of the incumbent to find victory and leverage towards ultimate victory. It transforms the struggle from a game of few possibilities into a game of limitless possibilities, in which the only limitation is a competitor's ability to see and create possibilities (dimensions) for favourable outcome. China is seeking a new world order, where it would enjoy a considerably higher profile than in the present one, and America will not give in without a fight to the finish because it is a zero-sum situation.

##### **a. AIIB as Tool in Power Transition**

This theory focuses on the competition and conflicts between great powers seizing the domination or hegemonic position in the world order, providing enlightenment on clarifying causal relationship between structural changes of power and the presence of conflicts (Dongxue, 2018; Organski, 1958). It is assumed that the present distribution of power between the US and China is becoming increasingly even as the gaps in terms of economic, political and military capabilities are narrowing down. The AIIB is an example of China trying to catch up with the US. It is China's attempt to reshape world order in its favour, particularly the monetary system, and it could as well enlarge China's power and voice on the world stage. As is illustrated in power transition theory, the narrowing gap between two great powers implies a power-transit tendency and, the dissatisfied and disadvantaged challenger will take aggressive actions towards the hegemon in order to obtain the position and privileges it desires. The significant development of China and its growing capacities in terms of economy suggests two facts: (i) China is now a great power that asks urgently for a

more favourable world order to keep its high speed of development and to gain the capabilities in fulfilling ambitions; (ii) China's increase in power and capacities poses a great challenge to the US's hegemonic position and presages conflicts between the two greatest powers in the present world order. So it is the AIIB rather than the US-led Bretton Woods institutions that could provide China with a compatible and privileged order (which will subsequently push the rise of China and facilitate it with more power and voice).

The world economy dominated by the US has got to a point of satiation in growth, where countries have started to doubt its ability in staying rational and objective towards its policy-making process. Also, the failures in reforming the defective regulations of leading financial institutions made the situation even worse (Kim, 2015; Dongxue, 2018), signalling the break of hegemonic stability. PTT presupposes that when a hegemon is doubted or even challenged by others, the original balance in hegemonic structure is disturbed. AIIB provides China with a starting point of power pursuit in conditions of hegemonic instability. Basically, with the increase in China's economic capacity, a strengthened and powerful voice in economic rule-making process will enhance China's status, and consequently, erode the US's hegemonic position in the Asian region. This development is a threat or challenge to the US hegemony by definition but China is not yet an enemy that possesses similar amount of capabilities as the US to possibly devastate the current world largest power and regional hegemon (Dongxue, 2018; Shatz, 2016; Murphy, 2015).

Finally, if China continues to threaten/challenge US hegemony in the world in general and East Asia in particular by using this institution (AIIB), the Sino-US competition for hegemony will intensify over time. As a result, the trade war between the two countries may persist for much longer. Consequently, even if the trade war between the two superpowers ends soon, a similar type of conflict is likely to occur later as long as the Sino-US hegemonic rivalry continues (Kim, 2019).

#### **b. AIIB as Dimension in Contested Space**

As the hegemonic power the US definition of space is captured in the concept and philosophy of globalism, while the rising power's grand strategy defines its own objective in the Silk Road Economic Belt and the Twenty-first Century Maritime Silk Road, the Belt and Road initiative (B&R) for short. Both of them depict a space of global import with the odium of exclusivist domination. The B&R is modern China's foreign policy and development strategy, which demonstrates China's ambition to reshape the world's political order, starting from making an overall arrangement in Asia, an important economic and consequently political region. And, China's rise to leadership in Asia would translate to a corresponding decline in US power in that region. The AIIB is of great strategic and economic importance to the implementation of the B&R, being regarded as its tool of finance and for attracting members. The AIIB's establishment explicitly displays China's resolution in carrying out the B&R. According to Realist Space Dynamics (RSD) theory, the creation of AIIB (and NDB, BRICS bank), just like the burgeoning trade dispute, is merely one dimension in the larger/defined space of hegemonic contest between an emerging China and a dominant USA, in which only one of them can inflict curvature at will on the global

space. China just sprung the AIIB as a new dimensional attack on the US by seeking to drag the latter into an area of vulnerability in Asia, where the ADB, IMF and the World Bank are not meeting the needs of the prospective clientele. This is a region with an infrastructure investment gap of about \$8 trillion in energy, transport, telecommunications, water, and sanitation, between 2010 and 2020, and another 300 billion US dollars on regional pipeline infrastructure projects in transport, energy, and telecommunications (Wu, 2017). AIIB, having figured out this gap between the needs of the loan-desiring states and the stringent conditionalities of the BWIs only needed to soften those conditions to win them over. It is a simple law of market competition. As long as necessary, and which is how long it will take the competition to make a counter-response, the AIIB will continue to effect a curvature in this dimension.

The arrival of AIIB, seeking to carter to the same clientele has animated that dimension of space by creating an adversarial relationship with the BWIs and, therefore, between the US and China as their “sponsors”. In trying to match China here the US would need to make adjustments/concessions in its comfort zone, or yield that dimension to China. Dominance or ability to inflict curvature in space is lost one dimension at a time! In the event of success with AIIB in Asia, China can leverage the resulting increased capability into contention in another dimension (say, into a geophysical Africa or other issues). By not yielding, the target does not completely escape the trap as it has to divert resources into the contest and make changes to its pattern. BWIs have responded by the ADB making adjustments to its lending conditionalities to match those of AIIB’s, and the ABD has expressed intensions for cooperation with its rival. That has not shown itself to be enough in the contest: the only good outcome for it is the liquidation of AIIB, as an accommodated rival is still in the contest. Both BWIs and AIIB are hegemonic both in structure and objectives; therefore, they cannot realistically exist in the same space because they are predatory creatures, instruments of occupation. An asymmetry now exists as the condition of that space.

Instead of challenging the US in any other region, say in Europe where American dominance is stronger, or on any other issue, say nuclear arms race, where China is relatively inferior, China opted for Asia where the latter has greater cultural and historical affinity, and on an issue of the former’s high vulnerability. Within the assumptions of Realist Space Dynamics theory, this is not different from the trade disputes with the Trump administration. The USA played up the trade deficit/surplus from a major concern into a snowballing and complete economic *casus belie* of sorts that normal relations must be threatened. That became a new dimension just added to the contest. A nuclear arms race or any other military/defence related issue with Beijing would have been more difficult to tune up and be turned into a cognizant dimension in the contest, for now, just as it would have been wasteful of resources to continue to prioritize Russia as a rival.

A new dimension will predictably be opened up anytime soon in the economy, military, diplomacy, etc. as flashpoints in the US-China competition for global primacy, defined as the ability to effect curvature in that space or its dimensions. And, this adversarial relationship will exist between China and the US until a symmetry of sorts is restored: either by one of them taking the top position and the other acquiescing in second place, or the

latter being knocked off as contender into third place and being replaced by another contender. This is because symmetry is a non-adversarial condition possible only in a lone-actor space (hegemonic space).

Whatever issues being fought over today and more in the near future between China and the US have their roots in the post World War II order, in which a new hegemon emerged. In the contemporary times a new hegemonic ambition is being nursed but without the happenstance of global war – but an equally vicious contest all the same.

## **5. Conclusion.**

China's leadership of the AIIB is unlikely in the short term to seriously erode the hegemonic rights, privileges, and role played by the United States in the world economy. However, it does represent a first step towards a future world in which China-led institutions could be a peer competitor to the US-led Bretton Woods Institutions. The more China is able to build and successfully operate alternative international institutions, the further it will tilt the balance of authority away from the US causing a potential rivalry between the two countries. It could be said that China (AIIB)'s commitment to infrastructural developments complements other MDBs, thus, making AIIB a successful ingredient in complementing the international financial order. However, it is still considered by many scholars as a challenger, even though we consider it competition pluralism, based on a healthy competition which can lead to new and innovative policies within the framework of the world economy. That is to say that the presence of the Asian Infrastructure Investment Bank (AIIB) and the Bretton Woods institutions (World Bank and the IMF) would serve counter-hegemonic purposes, by preventing each of them from abusing the international economic order (Mosca-Riatel, 2019; Ikenberry & Lim, 2017).

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