INDIA AND CHINA IN MULTILATERAL ECONOMIC GOVERNANCE

WORLDVIEWS, APPROACHES, AND IFIs

Ritika Passi

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ABBREVIATIONS

ADB	Asian Development Bank
AfDB	African Development Bank
AIIB	Asia Infrastructure Investment Bank
BRI	Belt and Road Initiative
BWI	Bretton Woods Institutions
BRICS	Brazil, Russia, India, China, South Africa
CRA	BRICS' Contingent Reserve Arrangement
GQR	IMF's General Quota Review
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFI	International financial institutions
IMF	International Monetary Fund
LOC	Lines of Credit
MDB	Multilateral Development Bank
NDB	New Development Bank
PPP	Public-private partnership
RIC	Russia, India, China
SCO	Shanghai Cooperation Organisation
WB	World Bank
WBG	World Bank Group

Executive Summary

This study seeks to understand the dynamics of how India and China engage in and with international financial institutions, specifically multilateral banks. It looks at India's and China's engagement with the Bretton Woods Institutions (the World Bank and the International Monetary Fund), as well as their participation in building the two new multilateral development banks, the Asian Infrastructure Investment Bank and the BRICS's New Development Bank. In doing so, the study unpacks the inter-related economic, political, and strategic motivations behind India's and China's approach towards multilateral economic governance processes broadly, and development finance institutions in particular. Their interaction with African countries, bilaterally, and under the African Development Bank, is a particular case study in this regard.

To achieve its objective, the study also delves into India's and China's evolving worldviews — their roles, ambitions, and consequent approaches to their external interactions. These are contextualised against the larger economic and political changes and disruptive trends agitating the existing international order.

In providing a clearer picture of the driving forces behind Indian and Chinese attitudes and actions in the field of global economic governance and more specifically in multilateral development finance, the study allows for a discussion on how Denmark can engage these rising powers to maintain an open, transparent, and stable economic order.

The study finds in evidence the following observations, arguments, and conclusions:

1. The international order is in flux as the global economic weight shifts eastwards. Emerging markets will dominate the top 10 economies by 2050; the US and Europe will steadily lose ground to China and India; and global economic power will shift from the G5 to the E7 economies. The aftermath of the 2007-08 global financial crisis has fractured consensus on economic globalisation, which is being challenged in the West both internally and externally. The US retreat from the international system and the rise of China pose questions about the governance of the global economic commons.

2. India and China are beneficiaries of the BWIs. Both have used the IMF's financial and technical assistance, and both are among the top borrowers of World Bank funds. Their rise as economic powers has been a consequence of their integration into the open, Western-led global economic system. India and China have strengthened their engagement with the BWIs in terms of a) calling for reform for the redistribution of voting shares to better reflect the changing economic order, and b) increasing contributions at the IMF and WBG as they gradually evolve from borrower to lender (particularly China).

3. The BWI system commands knowledge, extensive experience, substantial resources, and convening power. But the legitimacy of the IMF and WBG, arising from both internal process and external perception, as key managers and drivers

of global economic governance, and more specifically multilateral development finance, has weakened.

This is due to:

a) asymmetric representation between developed and developing countries, and slow and inadequate reforms to correct vote shares given changes in economic weights of emerging economies, calling into question the neutrality and efficiency of decision-making;

b) externally imposed conditionalities that are seen as infringement of sovereignty, manifestations of vested interests of dominant members, and with no guarantees of positive change; and

c) inefficiency in meeting expanded mandates due to a bureaucratic organisational structure, undercapitalisation, and underperformance in the case of the WBG; and doubts over the impartiality and adequacy of surveillance, and the inefficient handling of sovereign debt crises in the case of the IMF.

4. The BWI system is increasingly witnessing a dichotomy between power and accountability, given resistance to change and efficiency gaps, as well as a dichotomy between power and influence, given the role emerging economies and middle-income countries are playing in agitating for reform and contributing resources. These contradictions will only increase if BWI reforms fail to correct under-representation — as recent IMF and WBG reforms have done.

5. India's interests in BWIs respond to advancing its growth and development. Its participation represents its multilateral mindset — participation in collective spaces to advance individual and collective interests that, as a small power with fledgeling resources, it cannot meet unilaterally. Its economic rise and adoption of globalisation has given way to multi-alignment, a strategy that upholds a belief in multipolarity as the system of international relations in the near future. Its expansion of economic diplomacy and development cooperation agenda increases the need for India to engage in existing and new multilateral frameworks that can eventually serve as platforms for greater Indian leadership.

6. In the meantime, India's capacity to deliver faces challenges that include a) an unfinished development agenda that constrains India's reach and resources in the global commons, and b) an incomplete strategic vision that binds together New Delhi's various, increasingly active foreign policy practices. India's appeal as a natural torchbearer of the liberal order exists especially in the face of a rising China and its pursuit of narrower interests that clash with an open, free, and stable international system.

7. China's weight in the economic order, and recent behaviour, rhetoric, and policies, mark its advance as a rule-maker in global economic and regional governance. It is no longer hiding and biding time, but under Xi has formally propelled itself in the international arena as a responsible stakeholder that is offering "China solutions," particularly towards redressing global economic woes. Its rise has put in evidence attempts to displace American dominance, firstly in Asia-Pacific, which has led to concerns of revisionist designs that would substantively overturn existing norms and character of the present international system.

8. To wit, while cognisant that its continued growth requires the perpetuation of an open and transparent international system, China's practices as a bilateral lender of development finance raise questions about its leadership in multilateral economic governance. In particular, its Belt and Road Initiative, implemented via non-market economics and unsustainable financing, has thrown up concerns of gains-oriented behaviour instead of a win-win approach that primarily serve China's strategic interests. Several problems have been cited on the ground: lack of transparency, white elephant projects, unclear environmental and social risk assessments, weaponisation of trade, debt-trap diplomacy.

9. How India and China engage with Africa is an instructive case study of the differences in their approaches to global finance. China is a bigger stakeholder than India in the AfDB, and it is also a bigger lender than India in the continent. India's attempts to pursue mutually beneficial development partnerships are in contrast to China's pursuit of more traditional aid practices that have tended to target resource-rich African nations. China places more focus on hard infrastructure. African countries have witnessed the consequences of the conditions attached to Chinese loans, while Indian engagement has suffered from a lack of attention, resources, and timely delivery. Both see Africa as a source of resources and markets, and as a destination for investments. Beyond a transactional relationship, Africa is another region for Chinese firms to "go out" and replicate China's model of development by helping advance industrialisation; given strong historical and continuing cultural ties through principally a strong Indian diaspora, India is seeking to work with Africa as a partner in the global South.

10. As the two biggest rising powers, the India-China bilateral is characterised by co-opetition that translates into limits to cooperation but also limits for confrontation. The space between political and strategic insecurity on the one hand, and robust economic engagement on the other, is narrowing, which could constrain policy response to each other. Their engagement in multilateral forums reveals a certain degree of political understanding, such as over BWI reform. However, China's rise will increasingly inform India's role in the multilateral space, but the same is not the case for China, given its larger capacities.

11. India and China will be the top two economies by 2050; as such, the AIIB and the NDB will be two key institutions in which both countries will be engaging. It is therefore these institutions that will allow both countries flexibility in their approach to each other, these institutions that will introduce proximity within the relationship. Further, Trump's challenge to the global economic order could bring India and China closer despite their differences, which will have implications for the global governance architecture in the short to medium term.

12. The AIIB is an 87-member multilateral development bank, proposed and led by China, with the stated objective of mobilising much-needed infrastructure finance across Asia-Pacific. The institution's basis is similar to that of existing MDBs, but seeks to improve functioning by being "lean, clean, and green." Sustainable infrastructure, cross-country connectivity, and private capital have emerged as priorities. China lays no claim to veto in the institution, and gives prominence to fellow emerging and regional powers like India and Russia. Its lending has thus far been slow and careful, and has focused on hard and social infrastructure, as well as energy projects that help in greening the energy mix (including non-renewable-energy projects). Over half of AIIB projects are co-financed.

13. The NDB, proposed by India, is currently a five-member bank engaging the BRICS member countries equally. Promoting non-conditionality, sustainability, innovation, and responsiveness as its principles of engagement, the NDB is focused on mobilising resources for infrastructure and sustainable development, and in particular renewable energy projects for which the Bank aims to dedicate 60 percent of its lending. The NDB is particularly keen to innovate ways to attract public and private finance: it has issued a first green bond, with more planned, and is encouraging of lending in local currencies. While the NDB has thus far funded projects on its own, it has made steps towards cooperating with the World Bank. It has also expressed interest in working with the AIIB and the International Solar Alliance.

14. The BRICs CRA provides a safety net for the BRICS countries in case of future shocks, but it is firmly linked to the IMF. It therefore acts as a supplementary measure, although its creation could have an effect on the IMF's behaviour. Moreover, as the CRA evolves, it may involve the eventual inclusion of other members and the gradual elimination of the IMF-linked portion. Proposals to create a BRICS credit rating agency, as well as an early warning system, could give greater weight to the CRA.

15. The AIIB and NDB do not at present represent a change in the fundamentals of the existing system and global financing regime (although this is subject to the evolution of these institutions and any convergence in their lending practices with China's non-market approach). But internal 'push' factors and external 'pull' factors will limit inclination to change the liberal character of global economic governance. The former includes the evolutionary link between the World Bank and the new MDBs; increased membership (i.e., multilateralism) that lends legitimacy but conditions China's behaviour. The latter includes the pressure of credit ratings and the need to raise capital in international finance markets, as well as the benefit to encourage standard-based (i.e., policy-based) lending.

16. Vis-à-vis the BWI system, however, the AIIB and NDB already represent change — but *within* the global economic governance regime. They represent a break from Western monopoly by way of exercising institutional agency to correct the lack of representation in a timely and adequate manner. They also enjoy latecomer advantages — leaner structure, accumulated reserves — that increase their potential to bring real additional value in mobilising and channelling development finance. Three specific areas where the AIIB and NDB are particularly well-positioned to supplement and improve World Bank functioning are

    a) meeting the infrastructure investment gap;

    b) innovating financial instruments and promoting the diffusion of local technology; and

    c) advancing knowledge creation and narratives from the global South.

17. The new MDBs help meet individual needs and interests. They will help meet India's considerable infrastructure gap, and India could see its own national initiatives gain support from these external sources. The AIIB and NDB are platforms for India's proactive role in global economic governance, for example through the dissemination of local solutions. It could also gain greater manoeuvrability in its great power relations as it participates in the AIIB and NDB on the one hand, and in the AAGC and Quad on the other. Further, India will be able to fulfil its

dual objectives of both cooperating with and containing China within these new institutions themselves.

18. The AIIB and NDB have led to a shift in the institutional balance of power in China's favour, which increases its bargaining power. As part of China's broader strategic vision and given confluence with other flagship foreign policy initiatives, such as the BRI, the potential to pursue narrower self-interest exists, but continued operation of the banks will strengthen any assessments of the potential for conflict between China's approach and accepted norms. The AIIB and NDB advance China's domestic economic restructuring, and their emphasis on green infrastructure and renewable energy dovetails with China's own ambitions in the renewable energy field.

19. Against the backdrop of maintaining a rules-based multilateral system, Denmark — a small, resource-rich, and technologically advanced European country with technical expertise — can contribute to the accommodation of China and India in multilateral economic governance. Whether this "mutual accommodation" will be through conflict or cooperation remains to be seen, but the attempt should be to minimise scope for the former and maximise space for the latter.

20. Concretely, Denmark can:

    a) support the AIIB and NDB functioning. Denmark, India, and China have all benefited from an open international system, and these two MDBs are instances of multilateralism in practice, particularly timely in this age of Trumpian disruption;

    b) engage with India, given structural, institutional, and normative convergence, by supporting India's growth and facilitating momentum in the EU-India relationship;

    c) engage on norms with India/China, by constructively pursuing consensus on best practices and internationally relevant and accepted practices; and

    d) participate with India/China in partnerships and funds in targeted geographies.

From Then to Now: Situating India and China in the Existing Multilateral Economic Governance Architecture

India's BWI experience

The 1944 Bretton Woods Conference set the stage for the creation of the Bretton Woods Institutions (BWIs) — the International Monetary Fund (IMF) and what eventually became the World Bank Group (WBG). India, one of the original 44 signatories to the agreements and in subsequent years a founding member of the other branches of the World Bank, defined its initial engagement in these multilateral financial institutions through the prism of its colonial experience and status as a "third-world" country. Even as it sought resources at minimal costs, the concept of strategic autonomy held sway. This manifested itself eventually in South-South solidarity and non-alignment abroad and import substitution at home.

But the nature of its polity necessarily demanded a liberal attitude towards trade and development, particularly as its attempt to achieve autarky, eventually aborted, revealed the considerable lack of financial capacity at its disposal. As India has developed and opened up, its increasing weight, potential, and capacity has led it to be an active participant in the legacy institutions, foremost as a borrower, and eventually in terms of calling for BWI reform — both in terms of redistribution of voting shares to better reflect the changing economic order, and in terms of increasing resources of the two institutions to better address needs of the developing world.

India and the IMF

Despite India's traditional scepticism of the BWIs, IMF loans have played an important role in the country's economic journey. In 1981, when the Indira Gandhi-led Congress Government decided to apply for an IMF loan, the decision faced stiff resistance from the political opposition. The Bharatiya Janata Party accused the ruling Congress government of betraying the country's historical position of self-reliance. Other parties, such as the Communist Party of India-Marxist, went as far as to call the government out for "giving in to the demands of Western imperialists." Even certain members within the Congress party were reluctant to support Prime Minister Gandhi, fearing the loss of significant vote banks. However, enjoying a majority in the parliament, Indira Gandhi was able to pursue and consequently receive the loan. Amounting to a total of US$5.8 billion, it was then the largest ever loan provided in the Fund's history — it made up 290 percent of India's quota; and 30 percent of IMF's entire resource pool. The 1981 loan allowed India to avert an impending balance of payment crisis caused by consistently declining exports; a 15 percent fall in agricultural production due to a drought in the country; disruption in domestic oil supply; and a sharp increase in global oil process following the second oil crisis.

A decade later, in 1991, India was able to manage its economic crisis due to a second IMF loan. Several concurrent factors contributed to the foreign exchange crisis — the loss of a major market destination due to the collapse of the Soviet Union; the global recession and fall in demand; the steep rise in oil prices post Iraq's invasion of Kuwait; and the mass withdrawal of foreign currency deposits from India bank accounts by non-resident Indians. This led to a major restructuring of the Indian economy. Carefully coordinated by then Indian Prime Minister Narasimha Rao and Finance Minister Manmohan Singh, the government introduced a new industrial policy in addition to fiscal consolidation measures, pushing India into a new chapter of economic liberalisation, which facilitated the country's climb to double-digit growth rates.

In effect, the IMF loans have contributed in no small measure towards creating India's position today as one of the fastest growing economies. However, India's engagement with the IMF also brought out certain key features of the internal organisational dynamics. The loan negotiation phase between the Fund and a loan-recipient country is an intricate process, given the distinct imbalance in bargaining power and often an urgent need for funds. In both instances — 1981 and 1991 — India was able to secure fairly soft conditionalities on the loans. The easy availability of a large pool of highly trained economists and related professionals in India meant that the Indian government was able to navigate negotiations with relative ease. The two leads of the 1991 loan negotiation — Finance Minister Manmohan Singh and Finance Secretary Montek Singh Ahluwalia — were well attuned with the workings of the IMF. Minister Singh had a well-established working relationship with then Managing Director of the IMF, Michel Camdessus. Ahluwalia was also a career economist who had spent several years working at the World Bank, and thus had advanced exposure to the operations of the IMF. Consequently, they were able to initiate pre-emptive economic reforms in advance of the loan negotiation, convincing the Fund of India's seriousness in carrying out the required structural adjustments, and thus secured a favourable loan outcome. Several close observers have commented on the "home-grown conditionalities" that India implemented. The IMF flexibility meant that the government could pick from a much wider set of policy options in tandem with India's particular requirements.

More importantly, the negotiation highlighted the central role that G5 countries (the United States, Japan, France, Germany, and the United Kingdom) played in the outcome and the loan package. Given the large voting share of the G5 in the IMF executive board, the loan approvals from the IMF required the support of these five countries, especially the US. The 1981 loan request was successful because it received the endorsement of all the four countries except the US, and America — despite its misgivings — decided to abstain from voting. Similarly, the 1991 loan was successful because there was a growing consensus among the US leadership to enhance cooperation with India. With the fall of the Soviet Union, the US was increasingly willing to create closer ties with India. With the support of the most important member of the IMF executive board, India was able to negotiate with a more cooperative IMF.

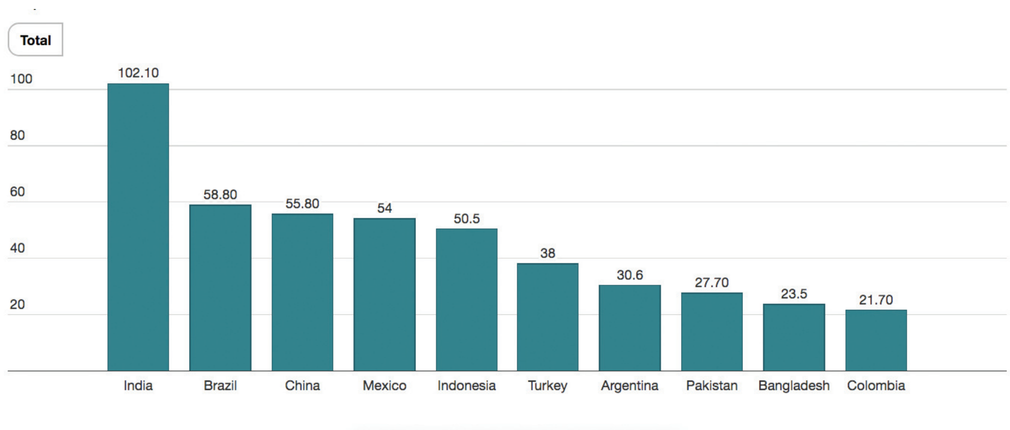
India is today one of the top 10 stakeholders in the IMF. It committed US$10 billion towards IMF's resources to help tackle the eurozone crisis. India's then prime minister made the announcement amid calls to substantially expand the resource base of existing MDBs to allow for increased firepower to help developing countries pursue their developmental goals.[1]

Indeed, at the latest WBG and IMF Spring Meeting, it reiterated its call for a strong quota-based permanent resource base at the IMF.[2]

India and the World Bank

India and China have been two of the largest borrowers from the institutions of the World Bank.[3] Between 1945 and 2015, India received loans worth US$102.10 billion — making it the largest recipient of World Bank funds during that period (Figure 1).

Figure 1: Top ten World Bank borrowers (billion), 1945-2015



Much like the IMF's engagement with India, the World Bank's institutions — particularly the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA) and the International Finance Corporation (IFC) — have played a large role in India's economic restructuring during the country's reform period, and after. For instance, India saw an increase in its IDA loans in the 1970s from the previous decades, to the extent that IDA lending made up 80 percent of the Bank's total assistance during this period.[4] Subsequently, India began to receive a greater share of IBRD loans. India continued to receive highly concessional loans even after it officially became ineligible for IDA lending. As the former Country Director for India stated, "The logic of World Bank fund for poor not supporting India is a little difficult to maintain," given India's continuing burden of poverty.[5] India no longer gets concessional funding from the IDA.

As for the IFC, the group's arm that focuses on the private sector in developing countries, it has been in India since 1958 and has invested over US$15 billion. It has made "hundreds of investments, pretty much in all key sectors," and was an early investor in many key private-sector companies, including Jet Airways and HDFC, as well as micro-finance institutions and several start-ups (such as Byju's, Lenskart, and Bigbasket).[6]

The World Bank has played a central role in India's poverty alleviation strategies, and continues to stay relevant to India's growth story by evolving its strategy for India and associated projects in tandem with India's changing requirements. For instance, post economic reform in the mid-1990s, the World Bank shifted its lending strategy for India from macro-economic policy to focus on sub-national projects in the various states of India.[7] In fact, the World Bank undertook a new Country Partnership Strategy, which supported India in its mission of "faster, more inclusive growth" by focusing on low-income and special category states, and in doing so, aimed at achieving its own overarching mandate of ending poverty (there are some 400 million poor people in India). The first five-year term expired in 2017, post which it started its first Systematic Country Diagnostic for India, beginning with a series of consultations with the private sector in Mumbai; these consultations will form the basis of the next four-year engagement the WBG will undertake with India, all towards the dual objectives of eradicating extreme poverty and boosting shared prosperity in a sustainable manner.[8] An attempt to examine and promote a dialogue on India's needs and agenda with

Indian constituents is not remiss.

Effectively, India's growth potential and extensive development agenda place New Delhi in a situation where it can lean on existing multilateral financial institutions to help drive development in the country in priority areas — e.g., education and skilling, water and sanitation, transport and energy — while simultaneously carving out space and voice for itself in newer institutions even while it continues to agitate for reform in the existing institutions continues. New Delhi again advanced its call to increase voting share in the World Bank for faster development[9] at the latest annual meeting of the WBG and IMF.

India remains one of the largest recipients of World Bank finance — in 2015, it was the top borrower of IBRD funds and the second largest borrow of IDA funds; and in 2016-17, it was the second-largest borrower at US$1.7 billion, after China, of IBRD funds (it no longer gets IDA funding).

China's BWI experience

Even as China has been part of the BW system since 1980, internal considerations of party preservation and regime legitimacy through economic development limited China's ability and willingness to look beyond its borders and core interests. Limited capacity has been another factor. Many consider this phase of rapid Chinese growth — China was the world's fastest growing economy until 2015, during which time Chinese growth averaged 10 percent a year and 800 million people were lifted out of poverty[10] — to be a manifestation of Deng Xiaoping's "24-character strategy," i.e., "Observe calmly; secure our position; cope with affairs calmly; hide our capacities and bide our time; be good at maintaining a low profile; and never claim leadership." Beijing's agitation for reform and voice initially went as far as projecting itself as a third-world nation and a victim of Western imperialism. In the meantime, "[b]ank-supported projects served as vehicles for technical assistance and institution building," as notes Pieter Bottelier of China's relationship with the World between 1980 and mid-1990s,[11] with a process of mutual adjustment occurring thereafter as China began to internalise international norms and rules. As its economic heft increased and it became more self-confident, China's relationship with the BWIs transformed into a mature relationship that has involved not only remaining a key beneficiary, but also contributing to the system — such as by a rise in contributions to these legacy institutions, thereby buttressing its role as aid donor. China's transformation at the BWIs has mirrored its proactive engagement with the world starting from the turn of the century, when it joined the World Trade Organisation in 2001.

China and the IMF

China's interaction with the IMF has not been as extensive as its engagement with the World Bank. While it has drawn IMF loans on two occasions (1981 and 1986), and has taken technical assistance on several more occasions, there are areas of disagreement between China and the Fund. One key bone of contention relates to surveillance to ensure macroeconomic stability. This is one of the fundamental responsibilities of the Fund under Article IV of the Fund's Articles of Agreement. It includes multilateral surveillance (assessing global economic and financial stability) and bilateral surveillance, as well as assessing the exchange rate policies of individual governments vis-à-vis external financial stability. China has come out strongly in opposition to bilateral surveillance, given that such a system of surveillance automatically favours the market-determined floating exchange rates adopted by most industrialised countries, and has articulated its support of the multilateral surveillance system, which looks as systemic risks and short-term capital flows.[12]

China's support for the IMF — as notes Yongding, China's criticism on IMF's actions during the Asian Financial Crisis was "quite muted," and it was not a supporter of the Japanese proposal to create an Asian Monetary Fund "for fear of weakening of IMF's authority"[13] — has in the more recent past led to a dedicated pursuit for greater representation at the IMF. It made considerable reforms to enable its currency's inclusion in the IMF's special drawing rights basket in 2016, seen largely as a symbolic move as recognition of China's growing weight in the world ands its status as a global player — a move that China began lobbying for in 2010. It has also exercised its own resources to add to the Fund, as it did to the IMF's crisis fund for the European Union during the eurozone crisis (US$43 billion) as a way to advance governance reform. (China is currently the third-largest shareholder of the Fund.)

At the same time, it has also supported the Chiang Mai Initiative, a self-help mechanism without US or Western participation increasingly delinked from the IMF (currently at 30 percent), and the Chiang Mai Initiative Multilateralisation, to further develop a reserve pooling arrangement, among East and Southeast Asian countries. The flexibility afforded by the initiative is seen as an important sign of autonomy. The BRICS' CRA is a similar arrangement, and another one in which China is involved (discussed below).

China and the World Bank

Despite a late start, China has been one of the largest recipients of BWI finance. China became the largest recipient of World Bank finance in 1993, and remained so throughout the 90s. With World Bank loans worth US$55.80 billion, China ranks third during the same 70-year period mentioned above, 1945-2015.

Its engagement with the Bank has seen a similar trajectory as that of India's. For instance, it played a crucial role in China's economic reform process. Again, unlike the conventional prescriptions of quick structural adjustments of the Washington Consensus, China was able to negotiate what is now popularly called the "Beijing Consensus." The Beijing Consensus focused on reforms with long-term pragmatic plans, i.e., gradualist reform, under state participation — and with the help of the World Bank, China was able to develop the much-needed institutions able to carry out and maintain its reform process. For example, China's State Auditing Department was created at first to audit World Bank-financed projects in China.[14]

The World Bank retains its relevance in and for China today. It is currently focusing on lagging sub-national provinces and is working towards poverty reduction in the less developed western and central provinces of China.[15] Seventy percent of its portfolio of projects in China addresses environmental objectives (e.g., renewable energy, energy efficiency, agriculture, water). In 2016-17, China was the top borrower of World Bank funding, at US$2.4 billion.

Simultaneously, China continues to expand its presence and influence in the institution. In 2008, an economics professor from Pekin University was appointed Chief Economist at the World Bank, the first time from a developing country. This "two-way socialization process" between the Bank and China also involves, for instance, an MoU between China's Export-Import Bank and the Word Bank that allows China to increase its capacity as a co-donor.[16]

With the recently agreed upon IBRD and IFC deal focusing the World Bank's lending capacities to poorer nations, China, an upper-middle-income country, will now receive loans at higher rates. Its transformation from a borrower to a lender has thus officially begun at the old guard institutions as well.

To note in particular is Beijing's increased participation in collaborative financing agreements and funds for special operations implemented by the legacy institutions. These instruments do not take into account voting share determinations, and allow China some measure of control. (For instance, In 2015, China became the first developing member in the Asian Development Bank to institute a special fund, the PRC Regional Cooperation and Poverty Reduction Fund.[17]) This is one manner in which China is supporting, and indeed expanding, the remit of the World Bank.

The Bretton Woods system: Challenges and limitations for rising powers

Given the knowledge they host and experience they command, their convening power, the financial resources they have at hand, and access to top echelons of governments, the BWIs play a central role in economic, financial, and developmental dynamics. They are today a global knowledge hub and supporter of policy reforms for private-sector led growth. They remain the go-to in times of financial and economic crisis, and together with other international financing institutions, the WBG is a developer of innovative financial schemes. WBG operation in particular seems to advance a greater demand-driven relationship, i.e., responding to the demands of individual clients. Critically, MDBs like the World Bank have also been focused on human and institutional capital creation and development.

Yet they have come under intense heat over the years, particularly from the developing countries, over their functioning. Criticism has been focused sharply on asymmetric representation between developed and developing countries and inadequate reforms to correct vote shares given changes in economic weights of emerging economies; conditionalities that are perceived to be heavy-handed and with no guarantees of positive change; and inefficiencies in meeting stated objectives. Even as emerging economies and upper-middle-income countries have begun to play gradually increasing roles, these shortcomings affect the legitimacy of BWIs as key managers and drivers of global economic governance, and more specifically multilateral development finance.

As the discussion below reveals, the BWIs are representative of a deficient global economic governance system in which India and China are continuing to rise.

Representation: Voting shares

A prime reason for discontent with the BWIs has been the asymmetry in representation between developed and developing countries, which has called into question the neutrality and efficiency of decision-making and resultant policies. These have often been criticised as favouring the domestic interests of members with the largest voting shares, i.e., the US and other Western developed nations. This study focuses on voting shares.

The voting share of a country in the IMF and the World Bank are determined in large part by the size of the GDP. Yet, despite significant changes in the respective shares of various emerging countries in the global economic pie, and despite the reform process both IMF and the World Bank have undertaken, corresponding changes in voting shares are yet to be sufficiently reflected in the IMF and the World Bank. This is even as adjustments in shareholding through periodic shareholding and quota reviews are to occur at intervals no longer than five years — as the case of the 2010 reform package discussed below will indicate. This western-dominated backbone persists even as the functioning of multilateral development banks (MDBs) has become more broad-based, although not in terms of formal governance structures. Staff now regularly includes developing country elites, which informally represent concerns and interests of the country they are representing in internal discussions.[18]

Slow-paced reforms have inevitably led to frustration over continued Western stranglehold of the existing international economic architecture. Moreover, both India and China have moved from being the recipients of multilateral development aid — in India's case, the highest — to being net donors of foreign aid, China in the early 2000s, and India more recently in the past few years. Despite the role both countries are playing in disbursing development finance in places and sectors money is needed in, internal governance processes still serve as continued reminders of the lack of voice and status emerging players have in existing institutions.

Inasmuch as the BWIs are representative of a balance of power that is no longer in absolute evidence, the role of emerging countries in collectively advancing calls for reform as well as their increasing role in contributing capital to these institutions must form part of the conversation, as is seen below.

World Bank

Between 2005 and 2015, the World Bank implemented a series of changes in its internal governance structure. As shown in Figure 2, China's total votes increased dramatically. India's share also increased, albeit less significantly. But, as pointed out Strand, Flores, and Trevathan, the voting shares — the true measure of changes in relative power — indicate a lack of adequate acknowledgement and internalisation of changes in national products (PPP terms) — or, in other words, a failure to account for changes in relative sizes of member countries' economies. Note, for instance, the size of China's real economy versus that of the G5 countries. And yet, the voting share of the US has remained more or less same between 2005 and 2015, and it remains the largest and only shareholder with veto power.[19] Moreover, this remains the case even as American contributions to the World Bank have decreased over the years — as Michael Clemens

Figure 2: World Bank votes and voting shares, 2005 and 2015

	2005 Shares	2005 Voting Shares (%)	2015 Votes	2015 Voting Share (%)	Change in Votes	Change in Shares
U.S	265,219	16.39	358,503	16.16	93,284	-0.23
Japan	127,250	7.86	166,099	7.49	38,849	-0.37
China	45,049	2.78	107,249	4.83	62,600	2.05
Germany	72,649	4.49	97,229	4.38	24,580	-0.11
France	69,647	4.30	87,246	3.93	17,599	-0.37
UK	69,647	4.30	87,246	3.93	17,599	-0.37
India	45,045	2.78	67,695	3.05	22,650	0.27
Russia	45,045	2.78	62,808	2.83	17,763	0.05
Brazil	33,537	2.07	42,618	1.92	9,081	-0.15

Source: Strand, Flores, and Trevathan

has tabulated, it is now less than Europe's share and equal to the paid-in capital by BRICS countries.[20]

A look at individual WBG institutions and respective weights and voting shares of key stakeholders is further instructive. Figure 3 shows both the voting powers as they stand at present, and what they will be, in the case of IBRD and IFC, post the recent capital increase of US$13 billion announced during 2018's Spring Meetings. Of this, IFC will see US$7.5 billion increase and IFC, US$5.5 billion.[21] The US will provide the biggest increase towards the IBRD, with US$1.3 billion; Japan, Germany, and France will be among the top contributors towards IFC. Fifty percent of the total increased funding will be provided by developing countries: China coming in after the US with US$648 million towards IBRD, and in third place with US$268 million towards IFC; India with the sixth-biggest contribution towards IBRD capital increase with US$231 million, and five-biggest contribution towards IFC at US$227 million.

The capital package sees China's (as well as Japan's, Brazil's, and South Africa's) shareholding increase in particular; India's voting powers remain the same. The US voting share has declined, but it will retain veto power over IBRD and IFC decisions. These changes are unlikely to influence voting behaviour. As the executive director for the Brazil constituency shared, "The U.S. remains the biggest voice, followed by Japan … so that didn't change … But everyone was happy enough." The latter is likely in the context of another reform that effectively counterbalances increases in shareholding percentage: IBRD lending to upper-middle-income countries will be a little bit more expensive now. This is in line with World Bank's objective to gradually reduce the volume of its lending to richer countries in the middle-income bracket to more concertedly focus on lower-income countries. China's willingness to accept this price increase reportedly "relates to its perception of its evolving status at the bank as both a borrower and a lender."[22]

Two behaviours, perhaps contradictory, need to be noted regarding this reform package: there were reports of "tense negotiations," leading up to the announcement,[23] and middle-income countries, such as India, China, Indonesia, and large Latin American

Figure 3: IBRD, IFC, and IDA voting powers

	IBRD Voting Power - Post 2010	IBRD Voting Power - Post 2018 Allocations	IFC Voting Power - Current	IFC Voting Power - Post 2018 Allocations	IDA Voting Power
United States	15.98	15.87	20.99	16.39	10.20
Japan	6.89	6.83	6.01	6.81	8.33
China	4.45	5.71	2.30	2.82	2.21
Germany	4.04	4.07	4.77	4.78	5.37
France	3.78	3.73	4.48	4.49	3.79
UK	3.78	3.73	4.48	4.49	6.48
India	2.93	2.93	3.82	3.83	2.87
Russia	2.79	2.72	3.82	3.82	0.32
Brazil	2.25	2.25	2.08	2.34	1.71
South Africa	0.77	0.74	0.67	0.76	0.27

Source: World Bank, A Report to Governors on Shareholding at the Spring Meeting 2018, http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23776699/DC2018-0003_PShareholding420.pdf; World Bank, Voting Powers, http://www.worldbank.org/en/about/leadership/votingpowers nations, led the charge for this capital increase. Was US reticence behind the "tense" nature of negotiations, or was it the dichotomy between China's demand for a bigger vote share but its failure to contribute commensurately to IDA funds?

Lastly and briefly, in further evidence of continued US dominance, the World Bank president has always been an American citizen (now for 12 consecutive terms). Criticism of citizenship ahead of merit can be traced back into the history of the World Bank.[i] There is therefore a perception image in that the World Bank is not seen as an "honest broker."

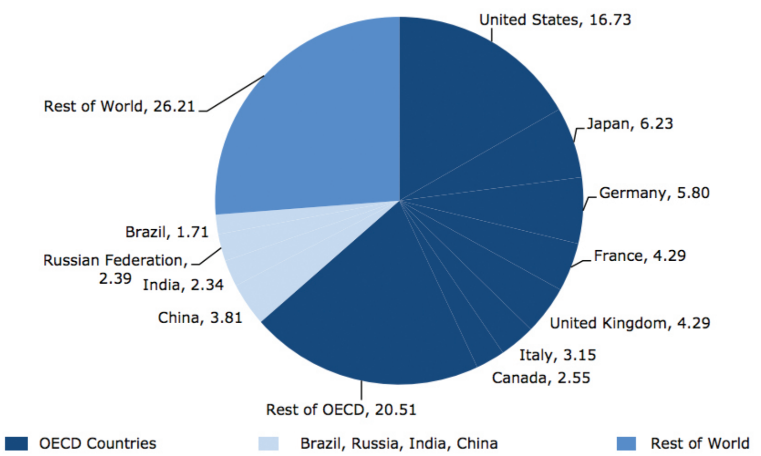
IMF

A similar trend can be seen in the IMF, casting similar doubts about its impartiality. Any major outcome from the IMF requires at least 85 percent majority votes. This in effect means that with over 16 percent of the voting share, the US retains a veto power. EU members together possess one-third of the voting shares. It is not surprising that the Managing Director of the Fund is generally a European and the Deputy Managing Director, an American. Accordingly, pursuit of self-interest by these dominant entities is cited, such as pressure from the US to hasten privatisation in the 1990s.

IMF reforms have been characterised by delays, and non-commensurate hikes in quota shares and voting rights. The 14th General Review of Quotas (GQR),[24] which built on the earlier 2008 reform package, was approved in 2010 (Figure 4). It approved a shift of more than six percent of quota shares from over-represented to under-represented member countries; shifted more than six percent of quota shares to emerging market and developing countries; and realigned quota shares, with China becoming the third-largest member country in the IMF (Figure 5). But to take effect, the changes required US congressional ratification, which finally occurred after five years of stalling. The changes came into effect in January 2016. The current 15th GQR was to be completed by October 2017, but has been pushed back to 2019.

But quota shares of emerging market and developing economies are understood to have actually suffered from a further under-representation in the last update, which means

Figure 4: IMF voting shares prior to 2010 reform package



Source: International Monetary Fund (IMF). "IMF Members' Quotas and Voting Power, and IMF Board of Governors." http://www.imf.org/external/np/sec/memdir/members.aspx (accessed April 6, 2016). And IMF. 2010. "Illustration of Proposed Quota and Voting Shares." http://www.imf.org/external/np/sec/pr/2010/pdfs/pr10418_table.pdf.

i For instance, an eminent Indian economist wrote in the 1981, "There is no justification at all for continuing the convention of having a U.S. citizen as the Bank's president. Let this job go to suitable persons in other countries." Cited in Michael Clemens, "World Bank's US dependency has to end," *Politico*, September 13, 2016, https://www.politico.eu/article/world-bank-president-elections-us-jim-yong-kim/

Figure 5: Pre-2010, post-2010, and current IMF voting shares

	Existing share	Proposed share	Current share
Advanced Economies	57.9	55.3	
G7	43	41.2	
US	17.023	16.47	16.52
Japan	6.108	6.138	6.15
Germany	5.968	5.308	5.32
France	4.929	4.024	4.03
UK	4.929	4.024	4.03
EMDC	42.1	44.7	
Developing countries	34.5	37	
Asia	12.8	16.1	
Africa	6.0	5.6	
China	2.928	6.071	6.09
India	1.916	2.629	2.64
Russia	2.734	2.587	2.59
Brazil	1.402	2.218	2.22
South Africa	0.867	0.634	0.64

Source: Press Release: IMF Executive Board Approves Major Overhaul of Quotas and Governance, November 5, 2010, https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr10418 and http://www.imf.org/external/np/sec/pr/2010/pdfs/pr10418_table.pdf; IMF Members' Quotas and Voting Power, and IMF Board of Governors, http://www.imf.org/external/np/sec/memdir/members.aspx#3

a total under-representation of emerging and developing economies by a measure of

Figure 6: IMF voting shares vs. share of world economy

Most Under-represented Countries by Share of World Economy		
Country	**Current Voting Share**	**PPP Share of World Economy**
China	6.16	18.59
India	2.67	7.09
Indonesia	0.96	2.51
Brazil	2.25	2.84
Iran, Islamic Republic of Nigeria	0.75	1.22
Nigeria	0.52	0.98
Russian Federation	2.63	3.07
Turkey	0.97	1.39
Argentina	0.46	0.85
United Arab Emirates	0.18	0.57
OECD Current Voting Share and Over-representation		
OECD Total	**Current Voting Share**	**PPP Share World Economy**
	63.09	45.60

Source: IMF. "IMF Members' Quotas and Voting Power, and IMF Board of Governors."

7.5 percent.[25] Besides Brazil, Russia, India, and China, other developing countries have in effect seen their voting shares decrease (by three percentage points).[26]

As illustrated by Weisbrot and Johnston (Figure 6):[27]

The only really significant change in the most recent reform has been the voting share of China, which went from 3.81 to 6.16, an increase of 2.35 percentage points. While this is a big proportional change, and represents a doubling of China's share since 2006, it still leaves China with a very small vote as compared with its size in the world economy. On a purchasing-power-parity basis, it has 18.6 percent of the world economy, more than the United States; and of course it also has 4.3 times the population of the US. Yet the US has more than 2.6 times China's voting share at the IMF.

Instead, the dominance of the West in the IMF results in a power dynamic that goes back and forth between the US and Europe, for instance over questions of loans to European countries post the global financial crisis.[28]

Scepticism towards the IMF is therefore not unwarranted. Neither are questions raised over its legitimacy by emerging and developing countries. This effectively weakens the role of the IMF to pursue its laid-out objectives, and will continue preventing the Fund being given additional responsibility since it will continue to be seen as "overly influenced" by select, advanced creditor nations.[29]

Conditionalities

BWI finance often comes attached with a set of policy conditions that directly target market-state relations in recipient countries, such as privatisation, economic deregulation, and labour market reforms. The normative argument against this kind of restructuring is the infringement of sovereign rights — where states are not able to set development and growth plans as per individual requirements. Such reform conditions are also seen as political decisions, as they succumb to pressures from the major shareholders, as opposed to being mere technocratic outcomes.

IMF decisions and policies on its conditionalities have been criticised for protecting the interests of its most prominent members, the G5 countries. A study by Dreher and Johnson shows that US allies — those who generally vote with the US in the UN — get few stringent conditionalities with IMF loans.[30] The Asian Financial Crisis lends further evidence of how domestic interests of dominant stakeholders can dictate the IMF response. When the crisis hit, agricultural lobbies in the US put substantial pressure on the government to mobilise IMF funds, given that Asia was the destination for 40 percent of US agriculture exports.[31] Indeed, conditionalities reached their heyday during the Asian crisis of 1997-98. The IMF adjustment programme for Indonesia "featured a veritable Christmas tree of conditions,"[32] and proved to be controversial, not least because the Indonesian president stepped down as the financial crisis grew into a political and social one. Resultant criticism over IMF conditionalities as "intrusive, ineffectual, and counterproductive" raised questions about these policy conditions that should have been asked from the very beginning, not the least of which is whether they are needed at all.[33]

The IMF has responded by adopting a more "focused" approach, with increasing rhetoric around policy flexibility. But this rhetoric does not match reality. Kentikelenis, King, and Stubbs identified and systematised over 55,000 reform conditions mandated by IMF programmes between 1985 and 2014 to find that although the average number of conditionalities did indeed fall at the beginning, reaching its lowest level in 2008, structural conditions are back in fashion. 2014 saw the number of conditionalities inch up to 12.1, the same as the mean during the 2001-2007 period.[34] This evidence again lays bare criticism that has existed since the beginning: who decides and defines these policy options — the borrowing country or external actors? Lack of representation from developing countries — which are the key borrowers of IMF funds — weighs heavier against this backdrop.

A quick note must be made on World Bank project conditionalities, which involve environmental, social, and risk-related management. These are often perceived to be "onerous… that slow project approval and completion without necessarily improving social and environmental outcomes." Some safeguards, however, have been shown to reduce risk and improve project outcomes — these include practices such as environment impact assessments, grievance mechanisms, and free, prior, and local consent.[35]

To note in the context of conditionalities is the leading role Chinese national development banks are playing. They are now the top lenders of development finance worldwide, and Chinese loans are typically without the conditionalities BWIs tend to attach. Yet, as the discussion will show further on, Chinese development loans are not entirely free of conditionalities.

Objectives

BWI practices have proven inadequate in meeting organisational objectives. Operational inefficiencies due to being "overly bureaucratic, overstaffed, and cumbersome"[36] bog down functioning across the IMF and the WBG, in addition to other gaps in meeting expanded mandates.

World Bank: Hard infrastructure to social sector lending

In its 70-odd years of existence, the World Bank's key lending objectives have evolved.[37] Its original commitment to finance hard infrastructure projects in non-European countries has seen an expansion towards soft infrastructure, social services, and human capital as the focus of WB lending shifted to poverty reduction under Robert McNamara. By the end of the 1980s, environmental protection and NGO participation joined the World Bank agenda. The World Bank has seemingly come full circle in recent years, with a renewed stress on scaling up World Bank infrastructure finance.

The original commitment to finance infrastructure has not been met by existing MDBs, such as the World Bank. The numbers are stark and help build the case: out of a total committed funding of US$116 billion per year, the share reserved for infrastructure is only US$45 billion.[38] Moreover, the infrastructure spending gap is increasing. Several estimates exist of the infrastructure gap — from US$1.7 trillion to US$3 trillion per year between now and 2030, to a staggering US$86 trillion — with further financial contributions required to meet the two-degree climate goal.[39] The ADB has an annual capacity of US$13 billion, and even though the World Bank has increased its financial commitments towards infrastructure given increasing demand in developing countries, it remains under-capitalised.[40] Major shareholders remain reticent to add more money to the World Bank or IMF coffers. For example, the Trump administration stated that if the recently announced US$13 billion fundraising deal is finalised, it will be the last time shareholders will be asked to pitch in with more money into the World Bank. But if risk appetite is increased, MDBs currently hold an estimated US$1.8 trillion in assets.[41]

The role of the rising powers and emerging economies in scaling up World Bank finance is noteworthy, as has been mentioned in the case of the recent WBG capital increase. Also to be noted is the fact that IBRD's projected income from 2018 to 2030 is US$48 billion; of this amount, developed countries are expected to contribute only US$4 billion through capital increases.

Private financing of infrastructure has time and again been recognised as a necessary pathway to not only meet increasing infrastructure needs but also deliver on the sustainable development agenda. However, even as MDBs have been focusing on de-risking instruments to encourage private participation, levels of private capital have been decreasing. 2016 saw the lowest levels of such finance made available at US$71 billion from a high of US$210 billion in 2012.[42] Public-private partnerships (PPPs) have been promoted to attract private sector participation, but only US$31 billion of blended finance has been mobilised since 2001.[43] The lack of sizable private participation in infrastructure projects must also be noted, as well as the fact that most of the funding is allocated to developed and large middle-income countries, which does not fulfil gaps in the poorest countries that admittedly need it the most.[44]

Private sector appetite to invest in infrastructure may also not increase anytime in the near future, particularly as key source nations turn inwards. (At the other end, one commentator observed that there is also little appetite to engage with private entities at the World Bank, except the IFC.[45]) Political will to engage aside, there is no clear roadmap on how to implement private finance. Gallagher et al. have noted a lack of clarity across guidelines of major institutions including the IMF and the World Bank on how and where to integrate PPPs, and the lack of alignment to Agenda 2030.[46] (Note the emphasis on SDGs; this point will be brought up in the discussion on the AIIB and the NDB.)

Undercapitalisation, underperformance, and lack of coordination in development financing, especially private, across pertinent institutions are charges laid at the World Bank's (as well as other MDBs') door.[47] Another study concludes "paralysis or over-reaction"[48] as the two likely responses to the existing international finance architecture.

IMF: Broad focus, weak functioning

The IMF has also seen its original mandate expand, from surveillance of exchange rates to surveillance of all areas with economic and financial stability implications. Its official working statement is "to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world."

Monitoring forms one of the core responsibilities of the Fund, which involves identifying potential risks and spillovers. A pressing need exists to ensure continued growth and development in an environment of economic and financial stability — an environment emerging countries like India and China need — and global (multilateral) surveillance is critical function the Fund can pursue without criticism. But it is readily identified as weak and inefficient, given its failure to anticipate and warn of any of the recent economic and financial crises that have slowed down global growth over the past decade. IMF functioning leaves much to be desired.

Once again the governance structure of the IMF is in question.[49] The disproportionate voice accorded to certain stakeholders indicates the possibility of bias in surveillance reviews. (Indeed, the IMF had never even conducted a Financial Sector Assessment review, a voluntary process, of the US before the global financial crisis, with the US having resisted pressure to get one conducted.) When such reviews are conducted, governments of surveyed countries can request for the omission of certain lines and paragraphs if these refer to market-sensitive information or are considered not to be relevant to policy interventions. Eichengreen and Woods demonstrate that such deletion rates tend to be higher for developed and emerging countries.[50] Furthermore, in a survey conducted by the IMF's Independent Evaluation Office, it was reported that there is added pressure on developed countries "to dilute the candor of staff reports in order to avoid upsetting the country authorities."[51] As Eichengreen and Woods conclude, "Blunt truth-telling about risks and spillovers evidently remains easier in theory than in practice," even as this must be the very objective of the IMF.

There are also questions raised about the IMF's role in managing sovereign debt crises. Lending to prevent or correct balance-of-payment crises is another core responsibility, and IMF conditionalities with regards to its lending have already been discussed above. But there is a perceived lack of clarity about how the IMF involves itself. The IMF's decision in 2010 to not insist on a Greek debt restructuring is an oft-cited error in judgement; Eichengreen and Woods also draw attention to the criticism that the IMF in general tends to delay recommending debt restructuring, which causes greater disruption and occurs at greater cost when restructuring finally occurs. The IMF has itself acknowledged that "debt restructurings have often been too little and too late."[52] Governance power and influence may once again play a factor. Precedent already exists of countries that avoid IMF conditionality-ridden loans, specifically short-term crisis packages that can press through unwanted economic restructuring, accepting loans from other quarters — i.e., China — as occurred with Angola in 2004 and more recently, with Pakistan.[ii]

Doubts about the IMF's effectiveness, given concerns about decision-making and execution of power, and assessment of its performance serve to discredit IMF's legitimacy as a key stakeholder in global economic governance.[iii]

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ii After 30 years of civil war, Angola was in need of loans to rebuild the country. The IMF loans had attached with them conditions of market liberalisation, transparency, and accounts inspection. Angola decided to accept China's offer of US$2 billion loan (which later expanded), set at concessional rates and with a generous payback period. Zachary Hylton, "China in Angola: The Pros and Cons of China's Aid Structure," Humphrey Public Affairs Review, http://humphreyreview.umn.edu/china-angola-pros-and-cons-chinas-aid-structure; for Pakistan, see, FM Shakil, "Pakistan seeks bailout from China and Saudis, rather than the IMF," *Asia Times*, April 4, 2018, http://www.atimes.com/article/pakistan-seeks-bailout-china-saudis-rather-imf/

iii Indeed, James Raymond Vreeland concludes in his book that IMF programmes adversely affect economic growth and income distribution in a borrowing country. The IMF and Economic Development (Cambridge University Press, 2003).

From Then to Now: Situating India and China in the Existing Multilateral Economic Governance Architecture

Laid bare in the above conversation is the dual dichotomy between power and accountability, and power and influence.

Even as the traditional Western powers overwhelmingly retain agenda-setting and decision-making power, there are significant gaps in how well they direct response towards priorities actively recognised. For instance, a consensus towards the need for increased sustainable development finance continues to be by and large met with financial orthodoxy. On the other hand, even as the US and the EU dominate the BWIs, emerging economies and rising powers, like India and China are increasingly contributing to the capital and activities of these institutions. An eventual displacement of Western hegemony in the BWIs with Chinese and more gradually Indian presence and influence may be the end-game, to which both countries' active participation with the BWIs lends credence, as does support from other major stakeholders (even if not the US). In other words, the BWIs remain key cogs in the international development funding and finance machinery, particularly if rising powers and emerging economies remain incentivised to seek reform in these institutions and there is broad-based support to correct gaps, such as those identified above.

But this raises the question — why the need to institutionalise alternate multilateral development banks, and even a contingent reserve arrangement? And what purpose do they / can they serve?

The response is necessarily embedded in the emergence of India and China in the international system and global governance generally, and specifically their interests and roles in multilateral development financing.

The international order is in flux, not least because of the increasing weight of emerging economies from the developing world. The global economic centre has been steadily inching eastward, a fact brought into stark relief in the aftermath of the global financial crisis of 2007-08 by the continuing high growth rates in Asia while the US and European countries face anaemic growth. Emerging markets will dominate the top 10 economies by 2050; the US and Europe will steadily lose ground to China and India; and global economic power will shift from the G5 to the E7 economies.[53] The global financial crisis and its aftermath also brought to light rising disenchantment in the West with the processes of globalisation, given uneven distribution of fruits that have added to rising inequality even within nations. The ill effects of uneven trade and investment, as well as the pressures of immigration and automation/digitisation (the advent of the fourth industrial revolution) have quickened the rise of identity politics and populism across the world, exemplified by strong leaders, and nationalistic sentiments in the very bastions of the liberal order demanding a retreat from the global commons. Indeed, debate is rife whether "liberal democracy," champion of a liberal order, is in decline.

Added to this is the impact of geo-economic change on geopolitics. It is not only the global economic locus that is shifting eastward, but also a political and strategic shift that is occurring in the same direction. Uncertainty regarding the roles of both traditional and new players exists, and potential for conflict seems heightened. What will be the effect on the governance of common spaces, such as the global economy, and the principles that govern state interaction?

The following need to be seen against the backdrop of an international order in transition — the rise of China and India; the inability of the traditional multilateral development architecture to respond to their emergence or their needs in an adequate or well-paced manner, and consequently their demand for reform of legacy institutions; their ambitions to be rule-makers; and, given their increasing role as lenders of development finance, the need to build fresh narratives.

The following sub-sections offer a window into India's and China's rise as key international stakeholders and emerging leaders in a changing global economic landscape. A case study of their respective engagements and experiences in Africa highlights differences in approach in the field of development finance, and a snapshot of the India-China bilateral provides further contextualisation for the eventual discussion of the new development financing institutions AIIB and NDB.

India's emergence and global ambitions: A strategic culture in the making

Almost 30 years after India began to liberalise its economy, it recently overtook France to become the sixth-biggest economy in the world.[54] (All comparisons and predictions are in terms of nominal GDP). By 2050, India is expected to contribute 15 percent to global GDP, and will overtake the US to be the second-biggest economy.[55] More immediately, it is expected to overtake the UK, Japan, and Germany to become the third-largest economy in the next 10 years. With a brisk GDP growth rate at over seven percent, a young working-age population, increasing consumption expenditure,[56] and its status as a top destination for FDI,[57] India is "a big growth story."[58] Part of India's growth story are its dynamic cities (Bangalore has been rated the second fastest-growing start-up ecosystem, after Berlin); its status as an established technology powerhouse (India is the world's top exporter of ICT); growing banking, pharmaceuticals (particularly generics), and retail sectors; and a growing weight in the renewable energy sector.[59]

As the current fastest-growing economy, some consider India on track to further rise up the ranks and more credibly effect change in the developing world, in global institutions, and in great power relationships. For instance, India's economic ascent gives it greater visibility, increasingly in leadership positions, whether through new collectives (e.g., BRICS, the International Solar Alliance), or through representation in existing international organisations at key posts (e.g., Dalveer Bhandari's win to become part of the ICJ panel of judges). Further fueling acceptance of India as an emerging economy has been its resilience during the 2007-08 global financial crisis, in contrast to economies in the West. Its growth buttresses, and in turn is itself strengthened, by India's soft power, from Bollywood to spiritualism to its 30 million-strong diaspora (including citizens and people of Indian origin).[iv] But India's rise has disappointed in several instances — missed timelines and complaints of punching below its weight — and is rife with contradictions, given an unfinished industrialisation and developmental agenda. (e.g. 22 percent of its population, about 270 million people, still live below

iv The Lowy Institute's Asia Power Index ranks India third when it comes to cultural influence, which include sub-measures of 'cultural projection,' 'information flows,' and 'people exchanges.' https://power.lowyinstitute.org/

the poverty line; its poor per capita income places India 126th out of 200 countries as per IMF's 2017 rankings; and despite years of high growth, the country struggles with employment creation.) Alyssa Ayres argues that India will rise as a global power before it overcomes all of its domestic challenges given a forceful and active foreign policy that is letting it chart a course for itself as a global leader.[60] But India's capacity to deliver is an ever-present question mark, given a largely scattered foreign policy approach until recently, and this same domestic context that puts pressure on the resources New Delhi channels into forging a strategic vision for itself on the world stage.

It is noteworthy to examine the foreign policy implications of India's changing economic status as a starting point.

India's economic opening up during the 1990s afforded New Delhi foreign policy space to manoeuvre outside the East-West geopolitics of the Cold War. India no longer had to limit its engagement with the broader world under what some would argue was a failing strategy of non-alignment by this time. (An increasingly robust bilateral agenda and military and technological successes, such as its 1974 nuclear test, attest to India's endeavour in managing its interests and relationships outside the ambit of non-alignment.) Shifts in ties were necessary and now possible, evince Malone and Chaturvedy, given a changing orientation of India's merchandise trade. For example, its exports moved away from Russia and Japan to China, East Asia, the US, and Western Europe.[61] To wit, India's current Act East policy is a continuation of its Look East policy which was initiated in 1991. As C. Raja Mohan describes it, a key transition in India's worldview was a shift from "the past emphasis on politics to a new stress on economic in the making of foreign policy."[62] Globalisation has thus meant stronger ties with multiple actors. Having said that, India has had limited capacity in pushing forward these ties, many of which have stagnated over the years. A recent push to re-energise and expand ties with multiple countries, including in its own neighbourhood, has been a welcome development.

Two facets of a multilayered engagement are visible. One, there has been an emphasis, particularly in recent years, on developing South-South partnerships as well as strengthening ties with developed countries. Notwithstanding a lack of coherence in its broader strategy and outreach, initial steps away from the 'developed-developing' binary can be seen in India's positions at the G20. Two, owing to geopolitical pressures, India has pursued ties with all regional/global powers — in the Middle East, for instance, as well as with established and rising powers. A recent newspaper editorial calls it "walking on two legs," an approach in line with its "changed weight in the international system and its consequent ability to shape its environment."[63] This is with a view of projecting autonomy and building a profile that will allow it to be a "leading power" (instead of simply playing "balancer"). "Multi-alignment" is another favoured catchphrase, a strategy upheld by the belief in multipolarity as the system of international relations in the near future. Flipped on its head, multi-alignment effectively calls for all actors to engage with India — on the basis of a principled, rules-based international system (note Indian PM Modi's recent keynote speech at Asia's foremost security conference, Shangri-La Dialogue[64]). Yet India's multilateralism is bound to come under increasing stress as it presses forward with its leadership ambitions. India's deepening ties with the US, for instance, are having effects on India's China relationship, its ties with Russia, and will inevitably also put stress on its cooperation with Iran in face of recent US sanctions.

A third element of India's rising economic weight and its translation into India's foreign policy has been the face India's economic diplomacy has taken. Compared to China, India's growth as an emerging economy has more starkly put in relief its development needs and gaps in resources versus inarguable leadership ambitions and potential. Ultimately, a foreign policy pegged on economic revitalisation, which has been more clearly evident in the past 20-odd years, has taken on certain characteristics, strengthened under the Modi government, that feed into the kind of role India sees for itself in the transforming global economic order.

Effectively, India is pursuing an expanding development cooperation agenda that seeks to build mutually beneficial development partnerships. With increased integration into the global economy, development is stressed as the key to economic growth and is in turn a key motivation — and outcome — of India's foreign policy. To note is that development aid has always been part of India's external outreach post Independence, for instance, its multi-year loans and technical assistance in the 1950s to Myanmar and Nepal, or, from 1964 onwards, through its Indian Technical and Economic Cooperation Program (ITEC).[65] The four-fold increase in India's development assistance from 2003-04 to 2013-14, and the establishment of an official Development Partnership Administration (DPA; purely an agency meant to streamline implementation) in 2012 marks New Delhi's increasing influence in the global economic order — not only because of its growing capacity to lend, but also because of the guiding framework of Indian development assistance, which, in the words or Rani D. Mullen, is defined by "non-interference in a country's political affairs and a focus on economic causes of underdevelopment with solutions focused on technical assistance and technology transfer."[66]

While some strategic rationale exists in the direction of its development partnerships, increasingly in its own neighbourhood, India's appeal as a lender of development finance is a comparative advantage it brings to the high table. That its DPA bundles together foreign aid — grants and loans — and development partnership — broader in scope and include capacity building and training as well as humanitarian and disaster relief programmes — is a sign of intent of how it seeks to mould its economic external engagement on this front. But its development cooperation agenda is still practically isolated from the other pillars and actors of India's foreign policy.

The above backdrop sets up three specific points of inquiry regarding India's role in the emerging global economic order.

An eastward and southward economic and strategic shift has indeed raised New Delhi's currency on the international stage, a shift it has contributed towards. India is thus more integrated and pivotal to regional and global conversations — whether in the maritime space or on climate change. But it is its expanding political and economic confidence and influence, *coupled* with its status as the largest democracy, that make it a natural torchbearer of the liberal order. This is in the context of India being pitted as a value-based counterweight to China's rise, which plays well with India's own competitive urges against China. Consider India's continued stand against China's Belt and Road, and its proposal of the Asia-Africa Growth Corridor instead, on the basis of methodology. Further, while on the one hand, it remains supportive of the existing liberal system and a proponent for BWI reform — positions it is advancing more forcefully in face of Chinese economic actions and consequences — on the other hand, it is a stakeholder in the China-led AIIB and the BRICS' NDB where China is the biggest investor. What is India then seeking through its involvement in China-led or China-dominated multilateral finance institutions?

A second line of questioning deals more specifically with India's internationalism. As per Lowy's Asia Power Index, India ranks third, behind only the US and China, on "multilateral power," defined as "participation and clout in multilateral institutions and clubs." India is very much a ready participant in international institutions: it has been part of both traditional and emerging institutions. And that it is now increasingly part of elite multilateral groupings like the Arctic Council, the MTRC, and the Wassenaar Arrangement reveals its growing centrality to global multilateral frameworks as it rises as a major economic force. Indeed, it is seen as a "rather effective naysayer" in international negotiations, contrary to how internal observers deem Indian track record at multilateral platforms as ineffectual.[67]

But as a middle power — as India and other emerging economies are often described — India must necessarily engage through collaboration. Note, for example, that many agree the US-India Civil Nuclear Agreement to be the first true game-changer in the way India began to be widely perceived — as a "positive, stabilizing influence" in its region and the world. As another illustration, consider India's approach to becoming a "net security provider" in the Indian Ocean Region through multiple bilateral, trilateral, and multilateral equations and thus pool resources with traditional and other emerging powers. India needs the space and voice afforded to it by new institutions and groupings such as the AIIB, NDB, the BRICS, and the SCO. But how will India's continued — and, some argue, recently re-invigorated — preference for bilateralism[v] hold up against a necessary logic of multilateralism — especially in matters of trade, finance, and economy?[vi] What does this mean for India's engagement in the AIIB and the NDB and the role it sees these organisations playing?

The third line of questioning pertains to the ever-present question of resources. Even as India becomes a core member of the multilateral system, immediate foreign policy challenges limit the political will towards substantiating a longer-term strategy for itself in the global order. Note that individual strands of India's foreign policy are clear in and of themselves, but a larger vision is often missing, which leads to missed opportunities. A slow pace, often punctuated with starts and stops, and a lack of human resources dedicated to global governance issues are visible gaps. Furthermore, even as India uses multilateral platforms to meet individual interests as well as collective interests, the real concern may be India's economic capacity at home. Putting together mechanisms that promote third-party participation — such as that of Japan's in the Asia-Africa Growth Corridor — is one thing, but obstacles such as a weak manufacturing sector, largely jobless growth that faces millions of youth that enter the job market every year, and a widening inequality gap, are challenges to the narrative of "India rising." India's unfinished development agenda, versus financial constraints, will continue to dictate a limited Indian agenda in international financial institutions in the near future, putting to task India's ability to drive global economic and financial behaviour.

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v This preference for bilateral ties has been seen in multiple arenas. For instance, India introduced a draft Comprehensive Convention on International Terrorism at the UN in 1996, and has insistently followed up on it, but progress has been slow and negotiations currently remain deadlocked. In the meantime, India has signed extradition treated with over 40 countries.

vi For instance, Mihir Sharma brings to light how India's approach to multilateral trade leaves much to be desired, whether at the WTO or in RCEP negotiations, or in terms of FTAs — the deal with the European Union remains stalled, and the Commerce Minister has announced a review of all FTAs negotiated, signed, or initiated in the last 10 years or so. "Preferring Bilateral To Multilateral: Personal Diplomacy And India's Trade Negotiations – Analysis," *Eurasia Review*, July 15, 2017, http://www.eurasiareview.com/15072017-preferring-bilateral-to-multilateral-personal- diplomacy-and-indias-trade-negotiations-analysis/

China’s rise and increasing assertion in the global commons: Reformer or challenger?

Known as the “world’s factory,” China became the world’s largest exporter in 2009, overtaking Germany, and the largest trading nation in 2013, replacing the US. It overtook Japan to become the second-largest economy in 2011, but has already become the largest economy in purchasing power parity terms. China’s growth acted as a stabiliser for the world economy post the 2007-08 financial crisis, and even as its own economy has entered a “new normal” of slower growth rates, it continues to contribute a healthy 30 percent to global growth, a trend expected to continue in the foreseeable future. Indeed, by 2030, China’s economy is projected to be twice the size of that of the US. Critically, China is currently the world’s second-largest investor, as of 2017, behind only the US, and has become the world’s leading development lender in the energy sector. China’s economic rise, and attendant increasing capacities in other areas — military, research and development, cyberspace, renewable energy — are now looking for accommodation in the global commons, both in existing international architecture and in new dispensations.

The sub-section above broke down the process of India’s rise that served to identify key elements and challenges that will influence India’s engagement in multilateral economic governance, especially with the AIIB and NDB. China’s weight in the economic order, and its recent behaviour, rhetoric, and policies, calls for a different line of argumentation, one that highlights its advance towards being a rule-maker in the global economic governance space.

China’s growth, and indeed continued development, is clearly predicated on a global climate of open trade and investment. Equally, a country’s rise inevitably means a search for resources and markets further afield to meet growing domestic demand and to pursue the objective of becoming an industrialised, modern nation (to wit Britain’s path to becoming the Empire on which the sun never set, and the US unipolar moment post-Cold War.) Testament to China’s increasing attention to and stake in world affairs and global governance are China’s well-documented ties with African countries and its burgeoning ones with Latin American countries; its increased visibility in the maritime space — whether participation in the anti-piracy operation off the Somali coast, increased assertion in the East and South China Seas, or expanding reach and interaction in the Indian Ocean or the Polar regions; increased willingness to moderate conflicts — whether in Afghanistan, in the Middle East, or in South Asia; leadership in regional forums, such as Asia-Pacific Economic Cooperation and Shanghai Cooperation Organization, as well in forward-looking areas, such as technology and AI, climate change and renewables, surveillance and outer space. This active interest and participation echoes changing economic interests, which a) are running further afield to seek natural resources and markets to continue growing; and simultaneously, b) are seeking to move up the value chain, i.e., a shift from export-led growth to growth based on technology, services, and consumption.

China’s shift from a quiet participant in global economic governance architecture to a key stakeholder pursuing rule-making ambitions is a natural function of its domestic growth — to which the BWIs have contributed, as described above. Now that the political leadership can afford to pay attention to affairs beyond its immediate core interests, national rhetoric focused on China’s place and role in the world has officially been introduced.

Xi Jinping’s “China Dream” — through the successful fulfilment of the two centenary goals — corresponds to this new status quo of Chinese ambition and “new era” of

Chinese power. “The Chinese nation…has stood up, grown rich, and become strong — and it now embraces the brilliant prospect of rejuvenation… It will be an era that sees China moving closer to centre stage and making greater contributions to mankind,” stated Xi as he inaugurated the 19th National Congress of the communist party. Pertinent to the scope of this study, one of the ways in which China is seeking to contribute is through its involvement in global economic governance processes. Specifically, China is advancing the message of growth through trade, investment, and integration as the continuing norm of development in this period of uncertainty, slowing trade and rising protectionism. The Belt and Road Initiative is Xi’s answer to a more inclusive and equitable “Globalisation 2.0,” which responds to not only China’s needs and aspirations as a modernising economy, as noted above, but also showcases thought leadership in trying to correct the global economic slowdown. (Xinhua has called Xi’s vision the “China solution” to global economic woes.)

While bringing ideas — such as the BRI — to the table is a sign of leadership,[68] it is currently an active discussion whether Xi’s vision for Chinese prosperity and global leadership are producing institutions outside the ambit of the existing open and transparent liberal order. Increasing instances have come to the fore of Chinese aggression, particularly in the maritime space as evident from China’s handling of the South China Sea territorial disputes; a Chinese military posture that denies access in the western Pacific; multiple and multiplying examples of capital and trade weaponisation; and growing participation in areas ranging from agriculture to telecommunications, which have regional and global implications.

Intention and approach thus become key questions in the debate on China’s rise and its participation in the international community.

As the world attempts to understand how to respond to, leverage, and manage China’s rise, two reactions are prevalent. Some believe China is slated to replace the US as the biggest power, but that it will be peacefully integrated into the existing international system as a responsible stakeholder. They see China’s increasing interest and participation in global governance matters as evidence of their belief. The inclination to see China as an embedded power has been the overwhelmingly dominant narrative in the West thus far. These observers cite multiple cogs in the foreign policy-making machine and a spectrum of international identities in the Chinese foreign-policy community, as well as pressures of the existing international system itself. Others, however, see China’s rise in opposition to not only US dominance, but also the liberal world order that the US heads. (Note a recent analysis into the Chinese military’s psyche to identify the dichotomy between its external propaganda — which “tends to deny or downplay strategic competition between the U.S. and China” — and its internal writings that are stridently anti-American and see the US as the “Strong Enemy.”[69]) This strand of thinking labels China a revisionist power that seeks to remake the existing international system into a Sino-centric one that establishes into ground reality the Chinese worldview of international order as a hierarchical nexus between the world’s sovereign and vassals. Xi’s consolidation of power with the removal of the two-term limit, enabling him to effectively remain “leader for life,” and the communist party’s consolidation over state organs during the recent “Two Sessions” are two recent examples that demonstrate fundamental differences in approach towards governance between states with one-party systems and those with pluralistic political traditions.

This divergence is increasingly being echoed in China’s burgeoning role as a lender of development finance, and thus raises questions about Chinese leadership in multilateral economic governance.

The implementation of the BRI, for instance, is a case in point. Through the BRI, predominantly a bilateral trade and investment initiative, China is investing capital in countries across Eurasia, Africa, and even Latin America. While touted as a vehicle for the provision of global public goods, such as transportation infrastructure, industrial corridors, and digital highways, "gains-oriented behavior" instead of a "win-win" approach is evident under the ambit of the BRI — and not only in terms of economic viability and returns on investments. Even as China's loans are not based on the same conditionalities that BWIs have advanced, they are nonetheless subject to others, as discussed in the next sub-section. Projects on the ground are seeing consequences of Chinese funding that seem to serve Chinese strategic intentions of creating an order with itself as the hub in its immediate and extended neighbourhood in the first instance. Take, for example, Chinese development and ultimately acquisition of maritime ports — that have not proven to be as economically viable as opined — in geopolitical maritime spaces, such as Pakistan's Gwadar port in the Arabian Sea and Sri Lanka's Hambantota in the southern Indian Ocean. Claims of "expansionism" are rife with Chinese outreach to farther-flung places like Latin America, the Arctic, and South Pacific islands.

Even as Beijing seeks to export its state-led model of development, problems of transparency, corruption, lack of returns, lack of standards, and debt-trap diplomacy are being raised. Concerns of dependency-creation are vitiating China's welcome capacity to lend. Increasing instances of weaponisation of trade and rising influence in domestic affairs of other countries (for instance, Pakistan and Australia) are further reasons for disquiet. Even without any clarity on Chinese intentions and larger objectives, the primary objective of 'mutual benefits' is up in the air, with completed projects like the Mattala International Airport in Sri Lanka continuing to be known as "the world's emptiest airport." Even the economic viability of the projects being undertaken is in question.

There are already multiple instances of backlash against China's increasing dominance, as seen by India's refusal to participate in the Belt and Road Initiative given concerns of sovereignty, responsible financial practices, transparency, and standards. The Asia-Africa Growth Corridor and the re-emergent "Quad" are illustrative examples of attempts to create alternative groupings that balance the ill effects of China's rise and the threat it poses as a spoiler in the existing liberal order.

The issue is clearly one of change — specifically the extent of change China brings in as its participation in global process increases. Such a question must acknowledge China's support for some norms and institutions of the international system (Westphalian sovereignty, BWIs, WTO, G20, etc.), and opposition to others (R2P, ICJ, ICC, UNSC reforms). What repercussions will China-led economic architecture — such as the AIIB — have on global economic governance? Is China the "modern, reliable, and responsible state capable of defending globalization" as the official state machinery purports it to be? Will China's preference for bilateralism give way to a consultative, multilateral approach?

India and China in Africa: Divergent pathways

India and China both share a growing relationship with Africa. For many years, they viewed each other and Africa through the prism of post-colonial solidarity and associated paradigms. With growing economies and increasing reach, trade and development, resources and markets, and security have become key propellors. China and India are today proactively engaging with Africa, with several high-profile visits and new institutional mechanisms.

India currently lags behind China in the continent. China is now Africa's biggest trading partner; India's trade with Africa is less than half the trade flows between China and Africa. China is now the largest investor from the developing world in the region, replacing South Africa, while India's growth in FDI stock in Africa has been sluggish.[70] Even in terms of defence ties, India has limited itself to the maritime sphere, whereas China has been contributing towards equipment, technology, and capacity-building in Africa's defence sector.

As the following brief comparative analysis makes clear, China's approach towards African countries has been traditional, focused on resources, infrastructure development, and elite-level wealth creation.[71] The parameters of Chinese engagement indicate the strategic role Africa fulfils in relation to itself and the wider world economy — as a source of natural resources, a growing market for Chinese exports and investments, as well as ground for Chinese firms to increase employment and gain experience.[72] Eventually, Africa could well serve China's objective of transferring manufacturing capacities in less-developing countries as it focuses on value-added manufacturing (also an objective of China's BRI), revealed by the increasing emphasis in Beijing's outreach on industrialisation as a pathway for the continent's long-term growth.

India's pattern of engagement with the continent, on the other hand, lays emphasis on long-term development through the development of Africa's productive capacities and human resources, and investment in small- and medium-sized enterprises.[73] This is not to minimise what is still by many parameters a traditional trade relationship as well as the importance of Indian investments in Africa's energy sector in a bid to diversify sources of oil and gas. But in terms of development cooperation, India's approach is grounded in a worldview that sees Africa through the lens of shared history and culture, and soft power and goodwill, positioned on the back of the strong presence of Indian diaspora on the continent. Financial constraints and the stress on common challenges prefaces the creation of South-South partnerships for mutual benefit, New Delhi's recent turn of direction as it seeks to include some strategic rationale to its ties with Africa. To this end, China's emergence as the most prominent player in Africa has again acted as an impetus for New Delhi.

Coming to the question of development finance, both India and China are key (non-regional) shareholders in the African Development Bank (AfDB), a regional MDB set up in 1964 with the primary mandate of channelling financial resources, policy advice, and technical assistance to boost inclusive development and green growth in African countries, with the overall mission to reduce poverty. This regional MDB, too, focuses on infrastructure, private sector participation, and skills and technology, among other priorities.

India and China became members in the 1980s. India has a voting power worth 0.269 percent, one of the lowest among its non-regional cohorts, and China, 1.2 percent (on par with Denmark). The US leads the group, with a voting share of 6.147 percent, and is the second biggest shareholder in the Bank, after Nigeria.[74] India's contributions are not as financially large as China's.

India's engagement in the Bank includes technical assistance in infrastructure and railway development, ICT, and capacity building in PPPs through a bilateral India-AfDB trust fund (US$9.5 million); developing a pipeline of bankable infrastructure projects in Africa, through a joint facility; and sponsoring several AfDB business opportunity seminars in India. The India-led International Solar Alliance and the AfDB have also inked an MoU. Moreover, India hosted the AfDB's Annual Meeting for the first time in 2017, using the platform to reinforce and further strengthen two-way dialogue between the African Union and India instituted through the India-Africa Forum Summit. The "perfect alignment" between the Bank's development priorities and India's record of engagement with Africa, as well as its own development experience, indicate "tremendous potential for collaboration."[75] The AfDB could be a springboard for a re-invigorated Indian development cooperation with Africa.

China has been participating in the AfDB through MoUs with its national development banks that promote co-financing, knowledge sharing, and joint analytical work in the fields of trade finance, the private sector, agribusiness, and clean energy. A bilateral fund (US$2 billion for 10 years) finances public and private development projects. It has also been a strong contributor to AfDB's concessional funding base. The regional bank is another avenue for China to channel its financial resources, and as such, replicate its model of development more concertedly.

Africa also figures prominently in both countries' bilateral foreign aid/development assistance policies. It is here that differences in approach come strongly to light.

The first difference is in scale. AidData estimates that China spent nearly US$354.3 billion in aid over a 15-year period from 2000 to 2014 — nearly as much as the US$394 billion spent by the US — and a third of this amount was bookmarked for countries in Africa.[76] India's development assistance to Africa, on the other hand, has been estimated at a more modest US$289 million[77] during the same period, although this does not include Lines of Credit which add up to nearly an additional US$20 billion between 2008 and 2016.[78]

The second difference is the manner in which they engage with recipient countries. India does not see itself as a traditional "aid donor" as has been the practice in the West. Rather, India's development assistance builds on its own priorities: India seeks mutually beneficial partnerships with peer nations going through similar stages of development. For India, aid is seen as a means to promote partnerships "based on its firm belief that we live in an interconnected world where the global community shares a common destiny."[79] The preferred terminology, actively advanced, is "development partnership."

As for China, its white paper on foreign aid underlines its responsibility to "provide assistance to the best of its ability to other developing countries."[80] But it has in the past few months explicitly linked its foreign aid policy to larger geopolitical ambitions. Beijing plans to set up a new International Development Agency that will better coordinate its aid with the Belt and Road Initiative, in order for "aid to fully play its important role in great power diplomacy," as Chinese Foreign Minister Wang Yi puts it.[81]

The third is the means of assistance. Both countries use a mix of grants in aid, technical cooperation, and concessional loans to advance their development partnerships/foreign aid flows in Africa. However, recent studies have identified that only a fifth of China's assistance qualifies as "aid" — as defined by the OECD — while nearly 80 percent takes the form of commercial loans which are long term and repayable.[82] In fact, China has pointedly omitted to classify its various instruments in its foreign aid white paper, despite bearing significant international pressure over its transparency record.

On the other hand, while developing human resources through education programmes, vocational training, and skill development through the ITEC has been the cornerstone of India's approach, India's current primary means of development assistance to Africa has been in the form of Lines of Credit through its Exim Bank. While such loans explicitly link India's own development and economic priorities to aid, New Delhi increases the grant component of such loans based on the economic status of the recipient countries. Most African countries access such loans on a concessional basis.[83]

For both countries, public sector enterprises remain key actors in their engagement with African countries, particularly in resource (e.g., energy, mining, and agriculture) and infrastructure (e.g., power, construction) sectors. Private investment is more diversified. Indeed, China has effectively synchronised its larger economic relationship with the African continent to its private sector firms — with McKinsey estimating that nearly 90 percent of all Chinese firms in Africa are private.[84] For India on the other hand, the correlation between India's development assistance programmes and its private sector investments remains weak.[85]

The fourth differences relates to their sectoral priorities. Infrastructure projects have dominated Chinese investment for a little over a decade, with communications, energy projects, and transportation accounting for half of all spending from 2000.[86] Further, most of the top recipients of China's aid are resource-rich countries, and China's aid focuses on making these resources accessible for export.[87] This allows Beijing to access natural resources to fuel its own economy, while connecting African markets with the Chinese economy. China's pattern of engagement in the continent has traditionally rested upon sourcing raw materials — for instance, China's US$2 billion loan offer to Angola, referenced above, was oil-backed.

India's partnership with Africa, on the other hand, is more consultative, i.e., aid is dependent on recipient country demands, and priorities are set based on benefits for local communities and the country's economic growth. India's lines of credit are not concentrated in selected African nations or by sector and have been diverse — agriculture, industry, information technology, energy, construction, infrastructure, healthcare, railway, and auto.[88] The bulk of African projects financed by Indian grants have been social-sector oriented — either in healthcare, education, or IT skills.[89]

Both India and China continue to face challenges relating to governance. Both countries remain anchored to norms that respond to the theme of South-South solidarity — including non-interference and non-conditionality. However, China's "no strings attached" approach can nonetheless diverge from recognised international norms on foreign aid, as its track record in Africa shows. Even as evidence suggests China is beginning to take environmental and social safeguards into account, its development loans cannot be restructured or cancelled, and thus must be repaid in full. Furthermore, Chinese management of sovereign debt offers a range of repayment solutions, including natural resources. Even as its practice prioritises "repayment rather than creating eternal debt," there are undesired consequences in the perpetuation of the resource curse.[90] Similarly, China's labour practices have also proved contentious in Africa — either because of limited labour protection standards or the practice of exporting Chinese labour to host countries.[91]

India's foreign aid, on the other hand, attempts to place a premium on ensuring benefits to local communities and does not collateralise natural resources or strategic assets. As India's ambassador to Ghana once stated, "The guiding principle behind India's partnership...has been that of consultation, neither paternalistic nor materialistic."[92] However, India's development assistance is beset by implementation hurdles: most notably project delays. In 2012, for example, India advanced US$250 million to

Mozambique to develop its rural electricity grid — a project that was quietly shelved in 2017 due to delays and bureaucratic mismanagement.[93] More importantly, India has yet to publish an official document stating its vision and goals for development assistance or core governance imperatives such as transparency and accountability. However, the principles outlined in the newly announced Asia-Africa Growth Corridor, of which India is a co-initiator, can be considered as a formal declaration of intent in terms of the nature of its development assistance.

Contextualising these differences against results will be critical in determining impact. China aid, of the grant variety, has been evaluated to have a positive effect on the GDP growth rate of a recipient country, but this is not the case for its concessional lending.[94] Investigation into the effectiveness of lines of credit would contribute towards the effort to determine what mix of financing instruments works best for which kind of projects.

The India-China binary: Attitudes and approaches

The India-China relationship is important to consider when trying to understand their current and potential roles in multilateral frameworks, such as the NDB, a brainchild of the BRICS grouping of which both are members.

A mix of competition and cooperation — co-opetition — characterises the India-China bilateral. Politically, a persisting trust deficit, the legacy of a war (for India, a humiliating defeat), an unresolved border, and a power differential continue to hamper mutual understanding. A lack of people-to-people linkages, low levels of mutual awareness, and a glaring communication and knowledge deficit, along with pursuit of military modernisation, aggravate the sense of insecurity. The past few years have seen deepening insecurity in the bilateral relationship, as evidenced by the 73-day Doklam border standoff.

Leadership aspirations on both sides compound the sense of competition and insecurity. For India, an expanding Chinese footprint in South Asia, India's neighbourhood, has heightened fears of encirclement and a strengthened China-Pakistan axis. China's Belt and Road Initiative, particularly the Maritime Silk Road, "points to a Chinese maritime flanking of India to both its east and west."[95]

Economically,[96] India and China have never seen better levels of bilateral trade, which hit a high of over US$70 billion in 2017, the highest in the past decade. China is India's largest trading partner, largely exporting manufactured items that meet India's growing demand in sectors like telecommunications and power. India largely exports primary and intermediary products, such as cotton, ores, and organic chemicals. India's trade deficit with China also continues to grow, having increased over two-fold in a decade, as per India's commerce ministry, from US$16 billion in 2007-08 to US$51 billion in 2016-17. This remains a source of consternation, particularly given dumping concerns over imports of cheaper Chinese-manufacturing solar panels and chemicals into the country.

Trends regarding investments are equally important to note. During Xi's 2014 visit to India, Xi had announced Chinese investments worth US$20 billion in the next five years. But as per Indian official figures, Chinese investments in India were valued at US$1.7 billion till December 2017.[97] India continues to seek greater Chinese investments, particularly in its special economic zones.[98] Big-ticket, mainstream investments remain few and far in between, although Chinese investments have been steadily trickling in to India, with Indian businesses pegging the figure at easily five times the government figures. Chinese investments in Indian start-ups contribute to this estimate.[99]

Multilaterally, India and China have often found themselves in the same corner by virtue of their status as developing countries and emerging markets, and indeed benefited from presenting a united front in several instances — whether during trade negotiations (the Doha Development Round), climate change talks, or over the question of reform of BWIs and the global financial crisis. Participation in new groupings beyond Western-led institutions — both trilateral, such as India-China-Russia (RIC) and multilateral, such as BRICS and the SCO — reinforce a certain degree of political understanding on the international stage, such as over their stakes and common interest in pursuing and promoting globalisation as the norm for continued growth. (India and China have seen a gradually expanding dialogue that takes into account regional and international issues.) Their collective weight in these frameworks is contributing to a "gradual reorganization in global economic and political power."[100]

Critically, as Alka Acharya notes, "This enlarging interaction is being increasingly grounded in a framework of accommodation where possible and cooperation where necessary — and an unambiguous understanding that only such a framework would facilitate the advancement of their respective interests."[101]

Yet the lack of accommodation of Indian interests in the global governance space by China in the recent past — its refusal to allow India entry into the Nuclear Suppliers Group; its repeated blocking of Pakistan-based terrorist Masood Azhar from being named as a global terrorist at the United Nations — has helped dampen ties, but more, encouraged the sense of competition for India vis-à-vis China in the global governance space.

In terms of response, fundamentally, two camps exist in India — one which sees China as a long-term threat, its rise allowing for increasingly aggressive and expansionist behaviour, versus China as a fellow developing nation, emerging economy, and anti-West partner in multilateral spaces. The former inclination pushes forward a response predicated on threat perception and balance of power; the latter encourages prioritisation of economic ties while sidelining thorny political disputes, such as over the border and cooperation.

India's recent actions have indicated, for many, a strengthening of resolve vis-a-vis China (for instance, its opposition to China's BRI). Others have questioned New Delhi's strategy and the intended outcomes. Broadly, there is an increased sense of active balancing on India's part, particularly through increased bilateral strategic cooperation with the US, and through attempts to foster groupings such as the Quad. At the same time, however, room to manoeuvre between political and economic issues is declining. In the global governance field, India will inevitably have to factor in China as one of the variables in its approach towards multilateral institutions, given that China poses a structural challenge to India. This is distinct from the path China pursues in that Beijing has the capacity to shape institutions independently.

On China's end, while India is not considered an equal, New Delhi's rapprochement with the West, specifically the US, and with other democratic regional powers, such as Japan and Australia, has heightened suspicion of designs to contain China's rise.

In sum, there are limits to cooperation — as we have witnessed in the past couple of years — but it stands equally true that there are limits for confrontation in the India-China relationship. The recently held informal Wuhan summit between Xi and Modi is a symbol of both realities: seen as a non-starter, it nevertheless expressed at the highest level the inclination to keep communication channels open. India and China will be the top two economies by 2050; as such, the AIIB and the NDB will be two key institutions in which both countries will be engaging, regardless of the state of bilateral ties. It is therefore these institutions that will allow both countries flexibility in their approach to each other, these institutions that will introduce proximity within the relationship. Indeed, Trump's challenge to the global economic order has the potential to bring India and China closer despite their differences, which will have implications for the global governance architecture in the short to medium term.

Breaking the monopoly: The AIIB and NDB as new stakeholders in development finance

This section outlines the parameters of AIIB, NDB, and the BRICS' CRA. It concludes with an assessment of the extent of change they herald, what they bring to the table particularly vis-à-vis the World Bank, and what individual interests they meet for India and China.

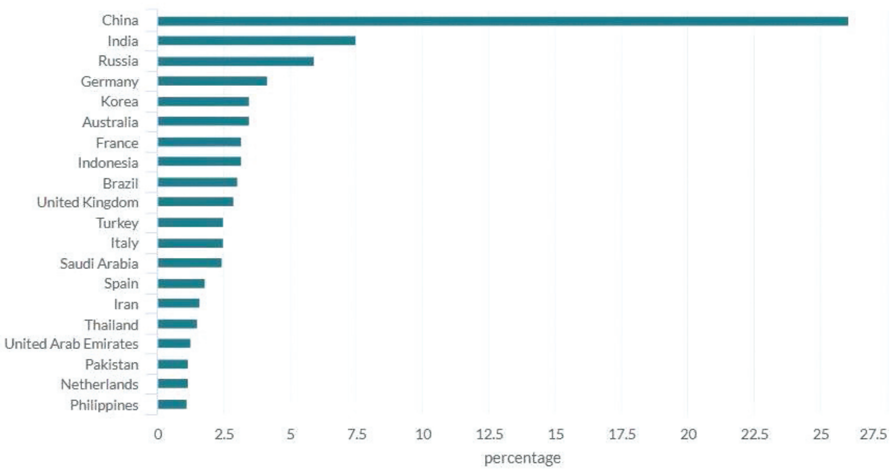
The AIIB: Strengthening multipolar multilateralism

Launched in January 2016, the AIIB is an 87-member multilateral development bank with an authorised capital of US$100 billion, proposed and led by China with the stated objective of mobilising much-needed infrastructure finance in the Asia-Pacific region.

China is the largest shareholder, with 26.06 percet voting shares, and India, the second-largest, with 7.5 percet voting shares (Figure 7).

Ethos and principles of engagement: More critical than the materialisation of another multilateral institution is the potential for "divergent norms and ideas about how to organize collective actions to address common problems."[102] While only time will lend clarity on whether the AIIB is seeking to change the rules of the game and to what extent, the institution's creation and foundational basis are similar to that of existing MDBs, like the World Bank and the ADB. Jin Liqun, former vice-president of the ADB who also did a stint as China's vice minister of finance, said this during his first appearance as AIIB president in January 2016: "I'm committed to running the

Figure 7: Total Voting Share in AIIB



Source: Center for Global Development

bank according to the highest possible standards and according to the principles outlined in the articles of agreement — transparency, openness, accountability and independence.”

But given a professed desire from the get-go to improve functioning compared to legacy institutions, to the above list must be added operational principles of speed, cost-effectiveness, and sustainability. These are reflected in the core methodology avowed by Jin Liqun during the bank’s inauguration — “lean, clean, and green.” Lean management that allows speedy operation and delivery, thus lowering costs and red-tapism, will be accompanied by good governance standards and practices, to implement green projects that facilitate a pragmatic energy transition towards a less carbon-intensive energy mix.

Objective: The AIIB has no overarching objective to reduce poverty, unlike the World Bank or the AfDB. Instead, the focus of the AIIB is to mobilise and allocate resources for infrastructure development in developing countries. This is consonant with the Chinese view and experience of growth — where development, specifically infrastructure development, is seen to result in positive externalities, such as poverty reduction and security. This philosophical difference implies a difference in methodology. There is potential to be project- and intention-specific, given a narrower scope of functioning, and thus precise and time-bound outcomes. The expectation of diffuse reciprocity, associated with multilateralism in general, is likely to be higher if project pace is kept steady, the promise of ’lean, clean, and green’ kept, and if the AIIB does not fall into pitfalls similar to those legacy institutions have fallen into over time.

The AIIB is effectively looking to scale up investment in infrastructure projects, with an emphasis on renewable energy, climate resilience, and sustainable development projects. Although the scrutiny that the AIIB projects are already undergoing on this count varies from fairly optimistic to negative assessments, AIIB seems committed to charting a greener course towards development. As noted by two Greenpeace workers, “Greenpeace has submitted an analysis of environmentally and socially problematic infrastructure projects funded by other multilateral development banks to the AIIB.”[103] Three thematic priorities were identified by the AIIB during its second annual meeting: sustainable infrastructure, cross-country connectivity, and catalysing private capital.[104]

Organisational structure: “As of now, AIIB seemingly mirrors an ‘Asian face’ with China at the ‘driver’s seat.’”[105] To note are two differences. One, while the first president is Chinese, given that Beijing initiated the endeavour and it is the biggest shareholder, the door remains open to other countries contributing citizens to head this MDB. There is no such insistence, explicit or implicit, that AIIB be always headed by a Chinese, till now. In contrast, the ADB is always headed by a Japanese; the World Bank, an American; and IMF, a European. What is more, the lean staff will be universally recruited and procured. Two, the AIIB has a non-resident board of directors, in line with its ‘lean’ proposition. It has been noted that this could give the head of the institution undue power and influence.

Voting and veto power: The AIIB employs the same double-majority rule as the World Bank and the ADB, which calls for two-thirds of its members accounting for three-quarters of all votes to pass a resolution. There are again two points of difference in the voting structure. The first is regarding vet power. As Chinese Foreign Ministry spokesperson Hua Chunying declared, “The issue of China seeking or foregoing the one-veto vote power did not exist.”[106]

The expectation is that once all those who have applied formally join the organisation, China will see its voting share drop — and along with it, any claim to a veto. As a Chinese analyst describes it, "What was most important after all was to win wide-ranged support for it and successfully launch it."[107]

This is a step the US has actively resisted within the IMF. Seen one way, this is a way for Beijing to show itself as an equal-playing player in the international system — different from the reigning dominant power, the US, and to build trust and assuage anxieties of Chinese hegemony. Seen another way, given the potential of dependency creation using financial and economic leverage, perhaps this may prove to be mere palliative, to reinforce a certain Chinese image, but the ground reality may still prove to be one configured to Beijing's preferences.

Two, the AIIB includes the innovation of giving greater prominence to emerging powers like India and fellow regional powers like Russia. All founding members were given 600 votes, and, as Ming Wan reveals, the AIIB uses a method that gives preference to GPD at PPP, which is what made India the second-largest shareholder[108] and Russia, the third.

Projects: Unlike the NDB so far, the AIIB also invests in non-renewable energy projects — i.e., gas — as a means to transition towards a greener energy mix. The very first AIIB loan, worth US$250 million, provided funding for the construction of a natural gas distribution network in Chinese villages. While there are no coal-fired plants in the pipeline, the AIIB has not ruled out coal: "Our intention is to focus on clean energy sources, but...[t]here may be countries that have no viable alternative," in the words of AIIB's vice president.[109]

Interestingly, India has been the top borrower of AIIB loans thus — five loans worth just over a billion. (Another estimate pegs loans worth US$1.5 billion in 2017, with another five projects worth US$3 billion more in the pipeline.) As Babones tabulates, "That's nearly a quarter of all AIIB lending and two and a half times as much as went to its arch-rival Pakistan, China's closest ally in South Asia." In terms of projects, India accounts for half of the proposed projects, with a project each in Turkey — a NATO ally — and Georgia — a NATO partner. Two projects are in Indonesia, a contender in the territorial South China Sea dispute.[110]

The AIIB's projects have been described as "bread-and-butter development work, not strategic upgrades in dual-use, civilian-military infrastructure," calling into question the sense of overt threat many ascribe to China's dominance of the AIIB as well as how deep any nexus between the AIIB and the BRI may be (issue brought out below).

Financial capacity: In its first year of operation, the AIIB approved loans worth US$1.13 billion; in its second year, US$3.3 billion. (What amount has actually been disbursed is now known.) Cumulatively, it has spent US$4.4 billion on a total of 24 projects, as of January 2019. For comparison, this figure is less than an eighth of what the ADB approved in 2016 and 2017 (US$36.6 billion). As has been identified, "In fact, China has borrowed more from the ADB than it has lent through the AIIB."[111]

However, the slower pace of disbursement in the early years — as the bank finishes setting up — is in fact a conscious decision on the part of Jin Liqun. An incremental approach has been judged necessary to ensure there are no non-performing loans.[112]

Partnerships: AIIB promoters reiterate the bank's complementarity to the existing architecture.

The ADB has less than US$80 billion in capital to offer. The World Bank's annual lending capacity is now double, at nearly US$100 billion, post the recent capital increase (which is still only half of the total subscribed capital worth over US$200 billion).[113] The World Bank president stated in July 2014 that infrastructure needs in developing countries are "far beyond" the capacities of the World Bank and private investment at present. ADB's president has also supported the establishment of the AIIB, given the significant financing needs of the Asia-Pacific region. As Xiao Ren concludes, "Seen from this perspective, it was possible or what was demanded and what could be supplied in Asia to match each other."[114]

The rhetoric of complementarity is held up in practice — the AIIB is actively pursuing an agenda of widespread cooperation with BWIs and beyond. In 2016, the World Bank approved the first co-financing project with the AIIB to upgrade slums in Indonesia.[115] The AIIB joined an ADB highway project in Pakistan in 2016, and both have co-financed a road project in Georgia.[116] The AIIB has even entered into its first co-financing project with the Islamic Development Bank in 2018, for the building of a greenfield power plant in Bangladesh to increase the country's power generation capacities. It has even joined hands with the newly established International Solar Alliance for the promotion of solar energy in ISA member countries where the AIIB operates.[117]

During its first year of operation, 75 percent of projects AIIB decided to fund are being co-financed with other MDBs. Of the 24 projects it has approved loans for in its first two years of operation, over half of them are co-investments. Co-financed projects are a sure bet going forward: as of January 2018, of the 10 projects under deliberation, seven are joint financing projects led by the World Bank, and another would be a partnership between AIIB and the European Bank for Reconstruction and Development.[118]

The BRICS' NDB: Equality, sustainability, and innovation

The NDB requires as starting point a brief introduction to BRICS. The BRICS together account for 25 percent of the world's land coverage, 40 percent of the world's population, and a GDP of US$18.5 trillion. The idea to collect the BRICS countries together came from a Goldman Sachs employee in the early 2000s, but on the sidelines of the 2006 UN General Assembly, the foreign minister of the BRICS nations met and decided to establish a formal, annual political and economic dialogue between the heads of states of these four countries. The inaugural BRIC summit took place in June 2009, and South Africa was invited to join two years later. Now almost a decade into its existence, the BRICS grouping has continuously faced questions regarding its motivation and validity. While it was never the pursuit of a common purpose or an ideology that brought this grouping together — some posit a continued and even increasing divergence among the interests of its five members — its value, even if largely symbolic for a larger part of its existence, cannot be denied. BRICS is a counter to the embedded power structures in existing multilateral institutions and a bid towards seeking a larger voice through self-agency, commensurate with their growing needs. The aggregation is representative of the desire for a more inclusive international governance architecture. Turning away from even attempting to build consensus over an ideology, therefore, the focus must shift towards issues and institutions.[119]

The BRICS agenda has indeed seen an expansion in the number and types of issues being deliberated, from financial security, food security, and unlocking Africa's potential, to more recently security and counterterrorism. Pre-summit events — academic, economic, trade, agriculture, health — now abound in the run-up to the annual head-of-state summits. Furthermore, the establishment of the BRICS Bank and the Contingent Reserve Arrangement (CRA) mark a significant and concrete step towards the institutionalisation of the BRICS.

The NDB was conceived in 2012 at the BRICS summit in New Delhi, formally established at the summit in Fortaleza in 2014, and became operational on 27 February 2016. Before highlighting key elements of the bank's functioning, it is important to recognise the biggest obstacle to the functioning of the grouping itself — the discrepancy in growth among the member countries and the persistence of political instability that is affecting growth levels.

The BRICS countries collectively account for over 40 percent of the world's population and contribute 23.6 percent to the world economy, a figure estimated by the World Bank to increase to over 26 percent by 2022. India is currently the highest growing member in the grouping,[120] with estimates of GDP growth rate in 2018 ranging from 7.3 percent to 7.4 percent — higher than both advanced countries (two percent) and the world (three percent) — given a young demographic, vibrant consumer market, and reforms undertaken that have the potential to be positively transformative. China continues to be the heavyweight in the group, contributing about two-thirds of the group's economic performance. This bright outlook of sustained growth is tempered by instances of political and economic unrest in the other member countries. For instance, Russia experienced a two-year recession and its share in the global economy decreased. While the current economic outlook is positive, an ageing population, excessive state interference, and weak governance and institutions will continue to hamper Russia's performance.[121] Political instability could derail Brazil's economic recovery, as per the World Bank and IMF.

Yet, the economic unevenness is, as per some, a key reason why the grouping is unlikely to falter or disband in the near future. Indeed, even as South Africa's economic performance and thus its legitimacy as part of BRICS comes under question — it takes over the presidency of the BRICS in 2018 with a new president of its own — it has been noted that economic strength is only one aspect.[122]

Ethos and principles of engagement: The NDB has taken an official stand on national sovereignty and non-interference. As its General Strategy makes clear, "National sovereignty is of paramount importance to NDB in its interactions with member countries. NDB's mandate does not include prescribing policy, regulatory and institutional reforms to borrowing countries." Another key principle, like for the AIIB, is that of sustainability. As the Bank's president K.V. Kamath has avowed, "Sustainability is the key, and climate is something we have to be conscious of. We build that into our approach, in everything we do."[123] Third, member countries will be driven by pragmatism and innovation — "the brief is to tinker, innovate and experiment with what works rather than replicating old models of development."[124] A last imperative for the Bank is to be faster, more responsive, and less bureaucratic than existing multilateral banks.

Objective: Its mandate is to strengthen economic cooperation among BRICS and supplement efforts of multilateral and regional financial institutions for global development to fulfil the objective of a strong, sustainable, and balanced growth. The Fortaleza Declaration identifies the purpose of the NDB as "mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging and developing economies"[125] Investment in "smart, sustainable technologies" will be part of the process, in a bid to unlock new business models, and attempt to develop new approaches to development.[126]

Organisational structure: The NDB, too, does not have a resident Board of Directions in a bid to reduce administrative costs and avoid resources being spent on self-management. To note also is the presence of regional offices — the African Regional Center opened in Johannesburg in 2017, and the Americas Regional Office will be launched in Brazil soon. The aim is to facilitate operational capacities of the bank, from the identification of bankable projects to the disbursement of loans, and progressively support a growing range of the bank's operations.

The NDB has only now graduated from a "start-up phase," as per the Vice President of the Bank: "Better resourced than most start-ups for sure, but a start-up in all respects, we opened our doors with no staff, technology or systems on day one." Leslie Maasdorp stresses that the NDB will "remain a new kid on the block with a long road ahead."

Voting power: All the five members have equal shares (US$10 billion each) and thus equal voting rights with no one country having a veto. Every member's vote share is equal to the amount of its subscribed shares — no member can increase its share of capital without the other members agreeing. The NDB is expected to eventually add new members[127] — it finalised entry norms in April 2017 — which will effectively see a dilution of the members' voting shares. However, the BRICS capital share collectively cannot fall below 55 percent, which means the BRICS as a grouping will retain overall charge of the running of the organisation.

This process will occur "gradually," and not only because there may be an active discussion on whether to allow only fellow developing countries, or a mix of developing and developed nations. Russia's Vladimir Putin reportedly made it clear on the sidelines of the G20 summit in 2017 that he is not keen to see countries join who are currently enforcing sanctions against Russia.[128]

Projects: Twenty-one projects have been approved as of January 2019. These are largely spread equally across the five member countries. This broad diversification of project portfolio and resources among the member countries is expected to continue. The NDB has offered financial assistance for projects in the areas of renewable energy, green energy, and transportation, water sanitation, and irrigation. As Kamath has specified, the focus will be firmly on sustainable development and sustainable infrastructure projects. As much as 60 percent of the BRICS Bank lending has been specifically earmarked for renewable energy projects.[129] In its first year of operation, this target was overshot, as nearly 80 percent of its investments were channelled towards sustainable infrastructure. As of November 2017, almost half of the projects approved were renewable energy or energy-conservation projects: over 2,000 MW of renewable energy output will be created.[130]

This focus is notwithstanding the potential of the NDB to finance coal projects, although admittedly this will occur "rarely."

Financial capacity: The starting capital of US$50 billion is expected to be doubled in the coming years. If capital shares continue to be sourced equally, South Africa, as the weakest member, will influence NDB's total financial resources, which could limit the Bank's functioning.[131] In 2016, the NDB approved loans worth US$1.5 billion for seven projects in the five BRICS countries. In 2017, it was expected to have approved loans worth US$2.5 billion. In 2018, it approved six new projects worth US$1.6 billion. This brings up the total to 21 projects in its member countries worth over one-tenth of the starting capital.[132] By 2021, the Bank expects to have disbursed loans worth US$10-15 billion.[133] An incremental and gradual approach is being adopted.

The NDB agreement states that it will work towards sustainable development through supporting public or private projects through loans, guarantees, equity participation, and other financial instruments. One such instrument is local currency financing. The NDB sold the bank's first green bond in China worth three billion yuan during its first year of operation, and a second one worth five billion yuan (US$782 million) is being planned for this year. A rupee-denominated bond issue is supposedly also in the pipeline. The bank is also looking to on-lend in their local currencies, the "5Rs."[134] The issue, as the Bank's president has raised, is the unsustainability of borrowing in hard currencies due to larger financial costs involved;[135] thus the emphasis on local currency financing in the new policy document.

Another point to lend regarding NDB's lending is that the Bank's Articles of Agreement stipulate non-concessional funding.[136] This is likely due to the BRICS members' limited financial capacities.

Partnerships: Cooperation with other international organisations and both public and private national entities, particularly international financial institutions and national development banks, is officially part of NDB's mandate. For instance, the NDB's five-year strategy states: "Joint projects and knowledge exchanges with the World Bank… to make the most of their decades of experience."

While the NDB has thus far funded projects on its own, it has signed an MoU with the World Bank to strengthen country-level cooperation.[137] It has also iterated plans to work with the AIIB,[138] and has even signed a joint financial partnership declaration with the International Solar Alliance. Primarily, the NDB is working with the BRICS' respective national development banks.

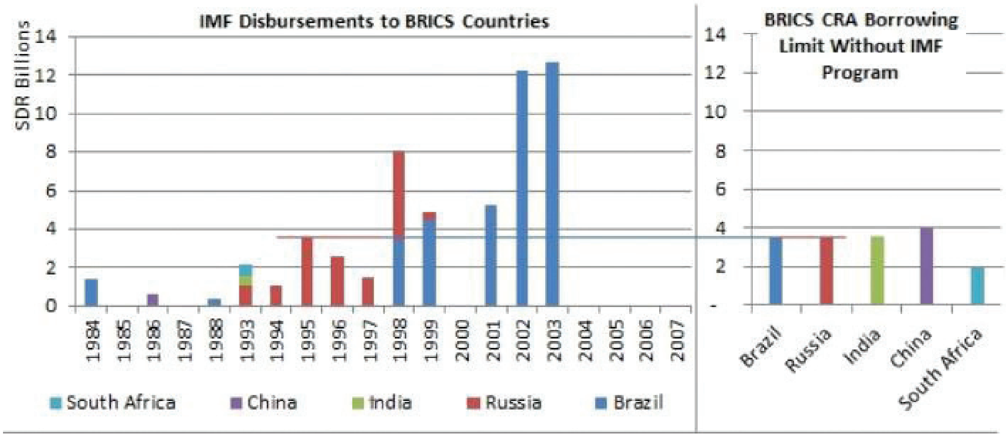
The BRICS' CRA

The Fortaleza Declaration also saw the signing of the treaty that established the CRA, which entered into force in July 2015. The CRA serves as a measure to contain global liquidity pressures on the currencies of the BRICS countries by providing an additional liquidity protection measure in the event of a short-term balance-of-payment crisis. In other words, the CRA is a safety net for the BRICS countries in case of future shocks in the global financial system and any expected or resultant BoP crisis. The US$100 billion fund is primarily funded by China at 41 percent, followed by Brazil, India, and Russia with 18 percent each, and finally South Africa at five percent. The CRA therefore is not based on equal voting rights.

While the NDB is complementary to the World Bank and other MDBs, the CRA is firmly linked to the IMF. Before any BRICS member country can seek funds from the CRA that are greater than 30 percent of its borrowing quota, it has to first seek loans from IMF.[139] Effectively then, the CRA supplements the workings of a legacy institution, or, put another way, is "BRICS' approval of the Washington-based ideology of economic development." But this links to a broader question regarding what "new" the NDB is offering. It can be argued that while promoting pluralism in the international order and focusing on key areas that need prompt and substantial attention as well as resources, the BRICS is nonetheless not at present offering an alternative development policy. The IMF-linked portions necessarily mean a perpetuation of the conditionality-based bailout regime that these developing countries are unhappy with.

Deconstructing the numbers is also useful. With US$100 billion committed, it is of course smaller than the resources available at IMF (around US$1 trillion) but also other arrangements such as the Chiang Mai Initiative Multilateralisation, the ASEAN +3

Figure 8: IMF vs. BRICS CRA Disbursements



Source: Banco Central do Brasil, Central Bank of Russia, Reserve Bank of India, People's Bank of China, South Africa Reserve Bank, and IMF; prepared by Benn Steil and Dinah Walker, blogs.cfr.org/geographics

multilateral currency swap arrangement (US$240 billion). Each member is allowed a maximum access limit — China is entitled up to half of its commitment (i.e., US$20.5 billion); Brazil, Russia, and India can request up to their committed amounts of US$18 billion; and South Africa is allowed twice its commitment (i.e., US$10 billion).

But each country can only access 30 percent of its access limit without an IMF-linked agreement — i.e., China can borrow about US$6 billion; Brazil, Russia, and India can each borrow US$5.4 billion; and South Africa, US$3 billion. Yet these amounts are significantly less than what, for instance, Brazil and South Africa have been drawing from the IMF in the last 20 years (Figure 8).[140]

It is safe to say that the CRA at present does not represent any genuine transformational change in this particular aspect of economic and financial governance. And yet, as identified, "it is a process."[141] For one, it is symbolic of the intent to correct problems in the current economic and financial international architecture. The lack of IMF reform has actually resulted in the concretisation of this budding arrangement. Indeed, some would argue that "the very existence of such arrangements has an important effect on the behaviour of the IMF, even if they are not used."[142] For another, the CRA is expected to evolve, just like the NDB. This may involve the eventual inclusion of other members and the gradual elimination of the IMF-linked portion. There are already proposals for a BRICS credit rating agency (New Delhi has been particularly active), which would work as an extension to the CRA. An early warning system has also been suggested. What face this evolution takes will serve to further clarify the ambition of the CRA and to what extent this ambition engenders change in the status quo system.

The new MDBs: Meeting collective and individual interests

Firstly, the descriptions of the AIIB and NDB (and the BRICS CRA) reveal little difference at present in fundamental norms and organisational principles of the current international (economic) system as their operational mandates feed into broader BWI objectives. Their potential and propensity to introduce a change of regime is limited by both internal (push) and external (pull) considerations, which will effectively serve to bind the AIIB and NDB into a true "family" of IFIs and MDBs.

The internal factors that will push for conformity with existing rules and norms include:

Establishment: The manner and form in which these new banks were set up firmly place them in the existing universe of IFIs and MDBs: they are "nested" to existing MDBs.[143] Leadership at the two new banks continually stresses an ongoing process of learning from the World Bank and other MDBs; their calls for and progress towards cooperation with existing MDBs, including the World Bank, further strengthen this claim.

Membership: This point is particularly pertinent for AIIB. The non-West-led multilateral institution, despite opposition from the US and Japan, now has 87 members. This multilateralism lends legitimacy to the institution, and it will also serve to condition China's behaviour.[144] The AIIB requires continued buy-in from its fellow member states for long-term viability, given that the costs of competitive order building are too high for Beijing at present. As several observers have put it, China is both shaping and is being shaped by the institutionalisation process — all the more important to keep in mind seeing as China's original proposition was a bank composed of Asian members and that it did not expect interest from Western countries.[145]

External factors that pull the AIIB and NDB closer to the liberal character of the international system:

Credit ratings and international finance markets: Both new MDBs will need to raise capital from international financial markets. One, the AIIB and NDB will need to maintain high credit ratings to be able to raise funds (and provide loans competitively). The World Bank has always maintained an AAA rating; so has AIIB thus far in its 2.5 years of operation. Two, their lending practices are likely to become disciplined, i.e., conform to international banking and lending standards. Three, there will be greater incentive to co-finance projects, especially initially, to garner a positive reputation, for which the new MDBs will need to "submit to lending standards" of established institutions.[146] Four, membership, particularly of developed countries, and financial performance will inevitably feed into one another.[147] The effect of multilateralism noted above is thus reinforced.

Policies and conditionalities: The AIIB and NDB are expected to stay away from political conditionalities that impose institutional reform in the borrowing country in opposition to the BWIs. But continued operation may likely bring heretofore disapproving countries like China and India closer to this practice as well, even if not the exact kind as BWI conditionalities. Good governance, transparency, environment and social impact are already being integrated into AIIB and NDB frameworks (the question of effectiveness is another issue). To note is the recent push by China's development banks, the biggest lenders of development finance, to work with various established international financial institutions, which is being seen as a way for China to lend under the purview of international standards.[148] In short, the AIIB and NDB may find themselves constrained to act as "investment-based" institutions as opposed to being "policy-based" financial institutions.

Secondly, notwithstanding the above assessment, there has definitely been a "deconcentration" of US power and "delegitimation" of the old order.[149] In short, the AIIB and NDB signal change *within* the regime of global economic governance. This is first and foremost because the AIIB and NDB have broken the monopoly of Western-dominated economic institutions by offering alternative sources of finance to developing nations. The AIIB in particular represents "status-seeking aspirations" of rising powers, and the NDB is more dedicatedly reflective of a South-South dispensation, and that too equal ownership among members. Both present an alternative to the existing BWI system that has garnered a reputation for faltering reforms and inefficient lending practices. Just as regional frameworks such as BIMSTEC and SCO are examples of institutional entrepreneurship, the AIIB and NDB show agency in the global economic governance space. As the NDB's strategy document for 2017-2022 states, "NDB signifies developing countries' coming of age and reflects their aspirations to stand on their own feet." This refers to their increased capacity to set the agenda, one that corresponds more legitimately to their individual needs and challenges. However, to keep in mind is that neither China nor India are representative 'case studies' of the developing world and their priorities and arguments will not always match the consensus.

The AIIB and NDB enjoy latecomer advantages and thus the potential to bring "real additionality" in terms of mobilising and channelling development finance. The ambition of increasing quantity of finance mobilised will necessarily be fulfilled; a focus on quality can amplify the effect of quantity, "particularly if other MDBs can learn from its innovations."[150]

A first step in improving quality is already evident in these new institutions through their organisational structure (non-resident board of directors) and principles of engagement ("lean") which seek to quicken project appraisal and loan approval processes. Vehicles such as Special Funds, in the tradition of World Bank Trust Funds,[vii] can be used to deliver on specific bank-related activities and enhance operational profiles. Both AIIB and the BRICS Bank mention Special Funds in their respective Articles of Agreement. In fact, the AIIB recently set up a special fund to provide financing for project preparation, particularly useful to developing countries. Another learning that the new MDBs can specifically focus on is "Use of Country System" — i.e., the full utilisation of a country's own domestic systems and processes. Such a methodology can serve to counteract fears of conditionalities, all the while promoting national ownership and strengthening domestic institutions to increase project sustainability.[151] While the AIIB and the NDB will necessarily need to advance certain best practices, as discussed above, their primary insistence on respect for sovereignty and territoriality means that the domestic context of recipient countries will inevitably have to be taken into account; this existing approach could be a good starting point to inform the AIIB and NDB on this count.

Here are three areas where the AIIB and NDB show particular potential to supplement and improve World Bank functioning. These same areas could prove, in turn, to be instructive for other MDBs:

Infrastructure financing: Infrastructure is an essential pre-condition for growth and development. As has been amply deconstructed above, the World Bank at present does not fulfil capital requirements to meet an ever-increasing infrastructure gap that is mostly concentrated in emerging markets and developing countries. The AIIB and NDB are effectively focusing on what the World Bank did in its earlier years — albeit a focus on sustainability in the new institutions should promote resilient and greener infrastructure in the face of current and future challenges posed by climate change. While the World Bank and other MDBs are trying to mobilise private capital towards soft infrastructure that dovetails with the SDGs, the AIIB in particular can focus on providing hard infrastructure. China's experience in large infrastructure can be leveraged, as can India's experience in smaller development projects. National banks of BRICS member countries can share knowledge on sourcing financing that is not excessively prudential.

vii By the end of 2016, the World Bank was managing a total of US$11 billion in such funds.

Innovation: This area applies to both financial instruments and technology. Regarding the first, both MDBs stress innovation in their frameworks. The NDB has already issued a green bond and is keen on advancing an intra-BRICS local capital, specifically currency, market. The AIIB and NDB can leverage both know-hows of existing institutions and home-grown solutions and variants, such as the PPP model India has utilised. Crowdfunding and internet finance are new technologies that can "leapfrog traditional modes."[152] Both institutions also aim to mobilise private capital, which opens up opportunities to innovate blended finance instruments to encourage private participation in long-term infrastructure investment. The AIIB and NDB can learn from existing institutions and specific initiatives, such as IFC'S Managed Co-Lending Portfolio Program and European Investment Bank's Global Energy Efficiency and Renewable Energy Fund.[153]

The NDB in particular highlights new technologies in meeting its mandate of sustainability and specifically renewable energy, which encourage the NDB's role as a "frontier financier for innovative renewable-energy solutions, which can [in turn] boost innovation in the renewable- energy sector in emerging countries."[154] The NDB mentions technologies such as energy storage systems, smart electricity grids, and solid waste-based energy generation in its statements.

Knowledge creation: This is a critical resource that the AIIB and NDB can offer. Narratives of development and financing are embedded in Western knowledge systems, which feed into Western dominance in existing institutions. Given that the burden of development lies in the South, it will be here that solutions — less expensive and more technologically intensive — are incubated.[155] The AIIB and NDB can help mainstream such solutions. Moreover, apart from renewable energy, the AIIB and NDB can also promote "21st century solutions" to development challenges in the form of digital technologies, artificial intelligence, and blockchains.[viii] Critically, "NDB should aim at shifting the premise of development discourse from that of generating consensus to promoting constructive debate over the most suitable model of development in specific sectors and geographies."[156] This resonates with the argument above that China and India cannot rightly claim to act on behalf of the developing world, as well as NDB's stated aim to "develop new approaches to development."

Even as there are clearly spaces and gaps where the AIIB and NDB can constructively pitch in and lead, the sense of competition between the old guard and new entrants can catalyse improvements all around. Soon after the UK decided to join the AIIB, the Japanese media reported that the ADB would be increasing its capital base by 1.5 times.[157] The recent World Bank capital increase was accompanied by "a broad range of internal measures" that seek to make the Bank "better as well as bigger."[158]

In sum, the AIIB and NDB can help bridge the gap between the global discourse on development finance and reform of IFIs through "a demonstration effect."[159]

Thirdly, the AIIB and NDB meet a number of individual Indian and Chinese motivations and objectives. Critically, the banks give immediate voice to India's and China's individual and collective economic status and leadership aspirations. Individual political, economic, and foreign policy benefits are discussed below, given differences between Indian and Chinese capacities. Moreover, they are outlets for China, India, and other developing countries to sustainably invest their accumulated foreign exchange

viii Note the inclusion of such technologies in the conversations during the NDB's Third Annual Meeting earlier in May 2018.

reserves. Asia is a net saver, and BRICS now account for a larger share of global savings than US, Japan, and the EU combined.[160]

India is the second-largest stakeholder in the AIIB, and an equal shareholder in the NDB, proposed by India at the 2012 BRICS summit. Admittedly, there is a greater sense of purpose and strategy behind India's participation in the NDB; comparatively, it is in hindsight that objectives India wishes to fulfil at the AIIB are being ascribed.

The latest Economic Survey of India cites a requirement of US$4.5 trillion worth of infrastructure investment in the country from now until 2040, out of which India will face a shortage of funds worth US$526 billion. The AIIB and NDB will help meet this domestic demand for continued industrialisation. India is also seeking funds for its signature initiatives, like the Smart Cities Mission, through quicker loan appraisal, approval and disbursement processes. India has further been requesting the opening of an AIIB South Asia Regional Office in India.

Given comparatively constrained capacities, the AIIB and NDB are platforms that diversify New Delhi's multilateral economic engagement, while setting the stage for it to play a more proactive role in global economic governance by offering original contributions. These new MDBs could, for instance, become primary platforms for India to disseminate innovations and local solutions across towards other developing countries. India is also keen to develop local currency financing mechanisms. This exists on the NDB agenda, and at the AIIB, India has offered the issuance of rupee-denominated Masala Bonds. Moreover, given a greater voice and role in the NDB as compared to the AIIB, and the fact that the BRICS Bank currently only has five member states, the NDB could also effectively allow India to concretise links between the Bank and its own development cooperation agenda.

Participation in a larger multilateral gathering like the AIIB is indicative of India's mindset that remains committed to multilateralism given what some would consider the safety of a small-power status (referenced earlier). It is likely to be in the confines of a more limited plurilateral setting, i.e., at the NDB, where India can more concertedly commit capacities and exercise its growing weight.

Multilateralism as rhetoric serves India's bargaining strategy and manoeuvrability. Being part of Chinese-led institutions like the AIIB, while also being part of groupings based expressly on liberal and democratic values that include countries like the US and Japan, could provide New Delhi with flexibility in its great power dealings. Taking this forward, it has already been noted that India's engagement in the global governance space will be a function of its larger geopolitical worldview to a significant degree given the challenges China's rise poses to India. Effectively, the AIIB and NDB increase the space for India to fulfil paradoxical but natural objectives of cooperating with and containing China in the global economic governance space. Neither China nor India have as strong a position in the BWIs as they do in these new MDBs, and thus limit how well India can engage with China in the older institutions.

As for China, the AIIB and NDB serve as outlets for China's growing economic resources. The slow pace of reforms is cited as a principal instigator: "China's move to create the new development bank is part of the 'price' being paid for [US Congress] obstruction."[161] This is woven into a narrative of the desire for China "to fulfill international responsibilities and provide international public goods," as the Vice-Premier of China declared during the AIIB's inaugural meeting.

Interestingly, the establishment and quick and widespread buy-in to the AIIB legitimise greater Chinese influence in global finance. (Or, as one commentator put it, China is using its deep pockets to buy leadership.) This shift in institutional balance of power in the global commons provides China with greater bargaining power vis-a-vis the US and its partners, which is in line with Beijing's objective to counter the US in Asia (the AIIB's centre of gravity, as described one observer, is "close to the heart of Eurasia").

Indeed, seen in conjunction with China's broader foreign policy endeavours (and the changes apparent in the international order), the AIIB and NDB could be initial steps towards a non-Western (economic) order. Multilateralism and co-financing could dilute China's bilateral funding, and in and of itself, the new MDBs won't present China with sufficient "counter-hegemonic potential." But observers note that the AIIB and NDB form part and parcel of China's reimagined global economic landscape that includes its Belt and Road Initiative as well as its foreign aid that has been linked to "great power diplomacy," and as such are part of China's statecraft to enhance its relative power position and influence.

The confluence of the AIIB and BRI is clear in the MoU linked between the two, as well as the AIIB's focus on cross-country connectivity under its mandate. This ties in with a similar MoU signed with the World Bank, which will allow it to engage with the Bank in other countries to pursue its BRI and ensure stable development in the many low-income countries across Africa and Eurasia that are on the BRI map. The evolution of the AIIB, and a longer view of its project record and lending practices, will provide clarity on its intent regarding geopolitical revisionism versus its pursuit of multilateral economic diplomacy. (The AIIB's 'clash' with the ADB in East Asia is a topic for further research to this end.) This is effectively where the AIIB and BRI, inasmuch as they are linked, offer two distinct Chinese foreign policy initiatives: there is a "dichotomy between Beijing's unilateral endeavour to create China-centered economic and financial dispensations" through its BRI, "and its expanding engagement in multilateral economic governance" via the AIIB.[162] The mounting challenges facing the BRI are in contrast to how well the AIIB is integrating itself into the existing IFI landscape. While multilateralism could well come to the BRI's rescue,[163] it may be doing the AIIB a disservice to consistently link it up to the BRI, particularly as it stands at present, given the AIIB's evolution (and BRI's lack thereof) from what was initially going to be a starkly more Chinese-dominated bank than at present.

The AIIB's support of Chinese domestic economic restructuring — from manufacturing-led and FDI-absorbent economy to an investment- and consumption-led economy — also feeds into a longer-term strategic vision for leadership in Asia. For instance, the AIIB offers China another avenue to relieve overcapacity, diversify its foreign exchange reserves, allow Chinese companies to "go out" and increase their competitiveness, and internationalise the RMB. It also offers a vehicle to export its model of development to other developing nations. As noted by Jin Liqun, the AIIB draws on Chinese experience, "particularly from the massive infrastructure investments the country has made in recent decades with help from multilateral institutions. That development has helped fuel rapid economic growth and poverty reduction."[164]

Reinvigorating Multilateralism: Engaging with Denmark

Maintaining a free, open, multilateral, and rules-based system is the overriding objective of stakeholders of the liberal order. But the transatlantic system is no longer the hub of commerce, geopolitics, or security challenges. It is also no longer the fulcrum of global economic governance and the international system, as demonstrated by the 2018 G7 ("G6+1") summit, trade talks between the US and its trading partners or, indeed, by Trump's "America First" foreign policy is visibly and tangibly disregarding the traditional role of the US as a fulcrum in the multilateral international system. Simultaneously, developing countries across Eurasia and the Indo-Pacific are increasingly looking to each other to deliver on technology, new finance practices, partnerships, and public goods.

The immediate preoccupation is one of managing China's rise. Whether this "management" will involve a "mutual accommodation" borne out of contestation/ conflict or cooperation remains a matter of lively debate.

The US National Security Strategy of December 2018 includes China in the same bracket as Russia, as a "revisionist power" that seeks "to shape a world antithetical to U.S. values and interests." In the same vein, the Pentagon's National Defence Strategy released a month later calls China "a strategic competitor." The ongoing US-China trade dispute is another facet of a deteriorating equation between the two biggest powers, which has also brought to the fore the issue of Chinese technology companies and Chinese investments in the technology sector abroad, another area that is seeing developments to contain unchecked Chinese action. How the trade dispute is resolved could be a strong indicator as to how the US, and indeed other major countries, respond subsequently to China.

China's own "Eurasian moment" in its foreign policy, visible through its westward advance on the Eurasian landmass, is another critical juncture that can bode conflict or cooperation. As Saran explains,[166] China's BRI is creating a network of dependency on China's economy into the geography of the supercontinent. It is doing so by diluting the importance of sub-regions across Europe, an argument that holds its weight when considering China's involvement across political, economic, and security arenas in the region. China is one of the biggest trading partners, if not the biggest, for many European countries. China's increasing portfolio of assets in Europe is also beginning to gain attention — in the past 10 years, China has bought or invested in assets worth over US$300 billion.[167] Use of its economic means for political ends has also been an issue in Europe, with Germany joining the ranks of countries calling out China for this practice. Germany and France have been pressing for the adoption of a common strategy to deal with China.

At best, the question remains how best to integrate China, and Chinese financial and economic power, into a rules-based economic order, even if multilateral institutions give way to different models and understandings of growth and development. This is a long-term goal that gives way to shorter-term objectives of how to minimise the chance of a clash between different approaches and how to maximise opportunity and platforms for continued communication and cooperation.[168]

A second line of questioning is the role that India's emergence can and should play as it seeks to use the space provided by China's rise to reform the existing system and create a larger space for itself.

This last section explores how Denmark can play a role in addressing both these questions. As the IMF and WBG themselves become arenas for potential contestation of paradigms and direction, given capital increases, supported by most quarters of its membership, that are seeing rising Asian powers come to the fore, what role can the Nordic nation play as we also see emerging options to these legacy institutions? More broadly, how can a small country like Denmark collaborate with two rising powers and help towards their accommodation in a changing economic order?

The following are recommendations for Denmark to pursue:

- Denmark should support the new MDBs. The increasing institutionalisation of BRICS, through the NDB and the CRA, and the establishment of the AIIB both serve as critical inputs towards preserving multilateralism as the norm of international governance. Going further, the AIIB and NDB are effectively vehicles that advance the prevailing economic architecture in this age of Trumpian disruption.

  As Scott Morris observes,[169] America's blueprint for economic statecraft is itself under strain. The Trump administration's "America First" policy has led the US to reject the Trans-Pacific Partnership. It has also, less visibly, led to a loss of US interest and support for the BWIs. The US Treasury Department's International Affairs Division takes care of the financing relationship between the US and the BWIs — and its inflation-adjusted budgets in the first two years of the Trump administration are the "lowest, by far, of any of the past 30 years." In contrast is a shared stand by India, China, and Denmark on an open, global economy, given that all three have benefitted from such a system to leverage their economic advantages, even historically. Note Modi's defence of globalisation during the forum's first speech by an Indian head of state in over 20 years; Xi's reiteration at multiple global platforms that protectionism is akin to "locking oneself in a dark room;" and surveys and studies which reveal that Danes are the most pro-globalisation population in the EU and Danish companies continue to embrace participation in the global economy.[170]

  Denmark is a member of the AIIB. It can encourage collaboration and cooperation between these new multilateral banks and existing MDBs. There is also the potential for resource-rich Denmark to create a Special Fund at the AIIB that contributes to technical expertise, given Denmark's comparative advantage in this area. It can also advance private-sector participation in sustainable infrastructure investment by encouraging its own private sector to take part.

- Denmark should engage with India for India's development. Both countries converge on global economic architecture structurally, institutionally, and normatively, which widens the scope for cooperation. One, Denmark can support India's engagement with the BWIs and call for reform of these legacy institutions. After all, India will only be able to act as the torchbearer of the liberal order if it is afforded the space to do so by. Two, Denmark can support India's growing economic capacity — and thus voice in the international system — by contributing to its growth, development, and capacity building. European countries like Denmark understand the dynamics of mixed economies — which means they can easily partner with mixed economies like India. There is scope to increase trade, currently at US$2.8 billion, but also Danish investment in India: a number of Danish companies have already invested significantly in India, including in the renewable energy sector. Joint cooperation and knowledge sharing in the fields of science and innovation, and environment and renewable energy, are other areas of engagement. Note, for instance, the investment of the Norwegian State Pension Fund Global in new sectors in India, to the tune of US$11.7 billion by the end of 2017. The first ever India-Nordic Summit in April 2018 is a step in the right direction — Nordic technology and the Nordic countries' approach to innovation are strengths that Nordic countries, like Denmark, can bring to the table in their partnerships with India.

Another key manner in which Denmark can engage with India is by buttressing momentum in the EU-India relationship and facilitating India-EU cooperation in a range of areas of common interest, such as maritime security, digital infrastructure, radicalisation, and capacity-creation (e.g., education and skilling).

- Denmark should engage on norms. The AIIB and NDB are ripe spaces for interested stakeholders to shape behaviour through continuous engagement on principles and standards that these institutions will eventually uphold. China's rise has opened up space in decision-making for developing countries in the development lending landscape that can be used to strengthen dialogue on values and approaches. Denmark can play a constructive role in pursuing consensus on parameters such as good governance, accountability, inclusiveness, transparency, environmental and social risk management, as well as helping collate best practices in pertinent niches of development finance.

  The former Indian Foreign Secretary S. Jaishankar germanely observed at Raisina Dialogue in 2018 that a rules-based order is no longer the sole purview of the Western world. As he went on to say, part of the solution to manage the disruptions we are seeing in the global order is India and the role it can play in the gradual and inevitable transition towards a new international order.

  Denmark can help establish a standing conference sponsored by India and the EU on rules-based governance frameworks.

  The Asia-Europe Meetings, as an existing platform for European and Asian countries — including Denmark, India, and China — "to strengthen dialogue, foster cooperation including on multilateralism, and tackle global challenges together,"[171] could also be a venue at which to discuss practices related to development and infrastructure finance.

  Integrating approaches and collaborating on software to streamline the project pipeline, from preparation to evaluation, can be a common target for Denmark, India, and China. This would help in standard-setting (pace, quality, etc.) in this one area of work, through practice. Multiple platforms for collaboration exist — the AIIB, individual funds, template for collaborations in third countries.

- Denmark should participate in partnerships and funds in targeted geographies. Even though India has yet to publish a national strategy on engagement in development in third countries, triangular cooperation is increasingly a feature of India's global engagement, and it has cooperated with traditional bilateral donors, such as the UK and the US. The Asia-Africa Growth Corridor, led by India and Japan, will likely encourage a template of developed countries and experienced actors to engage with India in Africa, on which basis Denmark could become a partner with India to engage in Africa and in South Asia.

The African Development Bank, where India is in the same constituency as Denmark, Finland, Norway, and Sweden, may be a good place to begin dialoguing with India on how to cooperate more closely together in African countries.

The Indian Ocean Development Fund is another potential platform, proposed by Sri Lanka and still in the pipeline, which would focus on mobilising capital to develop Indian Ocean Rim Nations, and more specifically encourage business ties and expansion in order to increase intra-IOR trade. Denmark can play the same role that, for instance, the US and Japan would be called on to play.

China has made initial steps in its forays into third-country cooperation. The first Japan-China Third Country Market Cooperation Forum was held last October in Beijing with the aim of enabling Japan-China economic cooperation projects by the private sector in third countries. The ambit of such cooperation may go further than the current “China-India Plus” initiative in evidence in Afghanistan,[172] and is something that Denmark can explore with China in the coming years. Note the existence of a Sino-French third-country cooperation joint fund (potentially up to two billion euro fund) that may guide the way forward for Denmark and China. Third-country participation is also a model that could even guide participation in the BRI,[173] a conversation that can be begun informally with Beijing, particularly if China is serious in its attempt to course-correct implementation of its flagship foreign policy initiative.

Denmark can supplement development cooperation through either financial or technical resources. Providing a joint credit guarantee, for instance, would not only increase attractiveness for private capital to enter a project, but also bypass the problems being seen with sovereign guarantees (BRI projects[174]).

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