GLOBE GLOBAL GOVERNANCE AND THE EUROPEAN UNION Future Trends and Scenarios

REPORT

The rise of the new official creditors in the XXI Century and the challenges to the global financial governance

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ABSTRACT

This article seeks to define the period of transition of the global governance describing its main characteristics and the changes putting special attention on the global financial architecture and the transformation it has faced since the rise of China and the emerging powers in the 2000s. Our hypothesis is that the behavior of all the emerging economies has changed over time, shifting from a defensive approach to the international financial institutions to a more offensive one specially after the global financial crisis of 2008, when a window of opportunity opened for a more proactive role in the international arena. The explanatory variables of the changes produced as a consequence of the economic rise of China, in particular, and the BRICS in general are based on the distribution of political power and the power of ideas. The changing global order will be defined by a coexistence of the traditional institutions of Bretton Woods such as the IMF and the World Bank with the rise of new financial institutions such as development banks, swap arrangements, the Belt and Road Initiative and a multiplication and strengthening of regional orders. The paper analyzes the Emerging Power strategy focusing on the three main actions: first, financial statecraft, as the main strategy to construct and give form to new institutions; second, the reforms in the traditional Bretton Woods Institutions and last, the cases in where cooperation between traditional institutions and new institutions is possible.

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1. INTRODUCTION

Since the outbreak of the global financial crisis in 2008 and the increase in financial and economic capabilities of China and the emerging powers (Stuenkel, 2017), the literature about the changes that the global governance was facing up started to grow. The economic crisis gave China and the emerging powers a window of opportunity for a more active role in the reform of a global order which underrepresented emerging powers; however, scholars identify two ways in which the Chinese government acted. A first group believe that China acted as a status quo power. In this view, scholars such as Ikenberry (2008), He and Feng (2018), Welch (2018) and others argued that the Western Institutions would be maintained even after the end of the hegemony of the United States. The main idea is that the institutions itself gave China benefits and it would not be in the interest of the Asian country to change the rules of the global governance. Liberalism would prevail. The second group (Tammen, 2000; Brooks & Wohlforth, 2008) understands that China would radically change the institutions that existed taking a position of radical transformation of the global governance. In short, much of the debate around the rise of China and the Emerging powers is about a dichotomy between status quo or radical change.

Analyzing the way the Chinese government and the new economic powers acted since 2000 until the 2020, we can understand that China specifically and the BRICS bloc in general had configured themselves as revisionist powers and that they have changed their behavior: first addressing a more status quo position but progressively, transforming into revisionist powers with some hints of radical change. What it means is that Chinese policies change as a result of a new balance of economic power, especially since the 2008, when there appear direct confrontations to the liberal world order and the Post-Washington Consensus. But, what does revisionist mean? It is important to define the concept because it is not entailing the complete destruction of the pre-existing order, but to have a proactive role to change the norms and rules that are not convenient or strategically favorable for the new hegemon (Paradise, 2019). We can define our position in the debate as a reformist position, because the reality of the transformation of the global governance lies in between the extreme of radical change and the complete maintenance of the status quo. In other words, and according to Stuenkel (2017), after the global financial crisis China acts as a norm taker but also as norm shaper. This definition of revisionism is the one that will explain why the changing global governance is characterized with continuities and changes compared to the order established since the ‘90s. In a Multiplex World (Acharya, 2018) or Post-Western World (Stuenkel, 2017), the main characteristic of global governance

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transition is that there is a coexistence of the traditional institutions of the Bretton Woods order with the new institutions created by China and the emerging powers. A leading area has been financial governance, given the rise of new financial powers, notwithstanding the uncontested primacy of the US and the American dollar. We define financial governance as the norms, rules, procedures and institutions that govern the transnational regulation and actions of financial markets. The main elements of any global financial order are rules regarding and governing exchange rates payments, non-banking financial institutions, access international credits, loans and conditionality policies and but also informal rules such as the tradition of an American presiding over the World Bank and a European presiding the IMF (Drezner, D & McNamara, K, 2013).

The changes the economic global governance had faced since 2008 can be divided into five: a more pluralist and decentralized order; a growth of regionalism as a principle of organization; the creation of new institutions such as the New Development Bank (NDB), the Asian Infrastructure and Investment Bank (AIIB), or the Contingent Reserve Arrangement (CRA); the reform inside the traditional institutions of the western order such as the International Monetary Fund (IMF) and the World Bank; and the rise of new logics of access to finance and new conditionalities.

The purpose of this paper is to analyze the changes the global financial governance with a special focus on official global and development finance, that is, the continuities and changes in its architecture, since the economic rise of emerging powers, especially China. The main questions we want to address are: What are the main characteristics of the transitioning economic governance? What is the strategy that emerging powers are deploying to amplify the new rules of the global governance? What aspects of Bretton Woods institutions remain in the new financial order? Who stand out as the relevant actors for the new order? How is the European Union responding to these changes in the financial architecture? The structure of this paper is the follow: First, we are going to define the characteristics of the changes in the global governance. Then, we will explain what being a revisionist power means and how can it can be defined. This is followed by the analysis of the strategy that the emerging powers have being taking since the 2000 combining the financial statecraft and the changes in the Bretton Woods institutions. We think the 2000 marks the beginning of these transitions from totally status quo powers to revisionist powers. We take the Chiang Mai Initiative which brought a bilateral currency swap agreement to avoid a new Asian financial crisis and to have a stronger regional response to finance flows as a turning point. It gave birth to a more proactive role of the Chinese government. We also analyze the financial statecraft of the South and the increased regionalization and initiatives in Latin America, as a way of understanding the process of increasing regionalization of the financial order. We then review how the European Union does has reacted and might be expected to react to these changes. The final section offers a conclusion.

2. DEFINING THE TRANSITION PERIODS OF THE GLOBAL FINANCIAL GOVERNANCE

As Drezner & McNamara (2013) had mentioned, all financial orders experience a life cycle of emergence, dominance and collapse. Nowadays we are in a period of transition from the Post -Washington Consensus economic order to a new world order. We cannot tell what the new order is going to be called, but we can say that there are some characteristics in the period of transition that are getting stronger such as regionalism. The dominance of the Washington Consensus order passed the cycle of major acceptance and was replaced by a period of collapse specially with the 2008 Financial Crisis. The crisis was a tipping point in the architecture of the Economic Governance. Even if the rise of China started before the crisis, the crisis opened space to criticize the liberal ideas that the United States created as the pillars of the global order since the Second World War. A second phase in this cycle of transitioning is what the authors call the transformation of both material and ideas that open an opportunity to reconsider particular rules and arrangements that govern the international financial order. The 1998 Asian Financial Crisis was an example of a first contestation of the Washington Consensus because of the decision of the Pacific economies to resort to self-insurance against a future crisis. Also, the emergence of new powers such as the BRICS had competed with the United States in providing, the material, political and ideational infrastructure for the expansion of the rules governing the markets (Drezner & McNamara; 2013). In other words, the process of delegitimization of a financial order takes time and in the case of the Washington consensus, the period of uncertainty and doubts about the correct way of stabilizing the global economy led to the beginning of the transition period. There is ample literature (Stiglitz, 1998; Hibben, 2016; Güven, 2018) that explain the changes that the post-Washington consensus order brought but, we can certainly say that, nowadays, the liberal ideas are being confronted by the emerging powers in some regards, but since China has been the main national beneficiary of the globalization of production, it is difficult to say that it would change all of the institutions it has benefit from.

In the periphery in South America, the transition period was characterized by a more active role in financial global governance. Particularly, because of the commodity

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boom, the failure of the neoliberal recipes and a left turn in some countries, the institutionalized regional space expanded in a multitude of areas until 2016, when because of the different internal conflicts in each country the coordination among members stagnated. Institutions such as: Union of South American Nations (UNASUR), Mercosur, Petrocaribe or the Bolivarian Alliance for the Americas (ALBA) are considered by some scholars as post-hegemonic institutions (Riggirozzi & Tussie, 2012). This is, that they have their own political mandate and that all of them where created as a regional initiative to avoid the intervention of the United States in a region it considers its backyard.

With the 2008 financial crisis the emerging powers were convened into the global response and the decision making process. That inclusion of countries that were never considered in the decision-making forums showed the second Bretton Woods Moment (Helleiner, 2014) due to an optimistic idea that a new world was coming about. As Nicolas Sarkozy said: "*we have to redesign the entire financial and monetary system as was done in Bretton Woods*". (Helleiner, 2014) However, many scholars saw the participation of China in the G20 as low profile, and that is why they interpreted it as a status quo power, but if we take a longer view reaching to the present, it is possible to identify the continuing increased role China has taken (Tussie, 2018). But the characteristics of Chinese leadership differ clearly from what the world was used to under the United States leadership. Changes in Global Governance have been made in different aspects such as: the number of relevant powers, the number of institutions and in some of the rules and norms that the classic Bretton Woods institutions had. In other words, the changes in the global governance can be summarized in two: one that is characterized as quantitative, because there are more relevant powers in the global arena and a qualitative one, because of the changes in the principles, rules, norms and regimes that govern the international political arena but also the flexibility the new institutions have to adapt to the complex challenges the world faces.

We define global governance as *the collective effort to identify, understand or address worldwide problems that respect no national or regional boundaries and go beyond the capacity of individual states to solve* (Acharya, 2011). Given the definition, we can say that the architecture of the global governance reflects the values and ideas that the hegemon has on what is the best way to solve the problems. In the case of the United States during the 90s, the order was characterized by multilateralism as the main principle and with the construction of binding institutions and regimes to project power. A clear way to see it is by looking into the rules of decision making inside all the Bretton Woods institutions such as the voting shares in the IMF. The order was

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defined by Hurrell as a *Liberal Solidarist Order*. The main characteristics of this order said Hurrell (2008: 48) was: "*the move to institutions and expansion of global rule making, changes in the making, development and justification of international law, the increasing emphasis placed on the enforcement of international norms and rules; and a changed understanding of the state and of state sovereignty".* The Liberal Solidarist order was also characterized by core themes of the classic liberal agenda such as economic liberalization, collective security, human rights, etc. However, it is key to mention that the Liberal Order stablished in the '90s also used practices such as coercion to impose such ideas. As Stuenkel (2017) explains, the liberal order didn't give enough space to the new powers in the decision making and the changes in the balance of power started to be reflected in the construction of parallel institutions and the pressure inside the traditional organizations to change the rules to make them more inclusive. The new visions of the global governance vary between scholars, but they are some leading characteristics that are shared in the different definitions.

One of the more encompassing definitions of the global governance regime emerged during the 2000 decade was developed by Acharya (2018), who identifies the new global governance as a *Multiplex World.* This means departing from a decentralized architecture, in which new and old powers share major roles in the Global Governance, and that the transition between the old and the new order give space for new institutions to rise, which will differ from the previous ones in their character (implicit norms, rules, regimes), constituencies (public and private actors), scope (bilateral, regional, global) and interests. This new global governance is pluralist, but different compared to the multipolar Westphalian order developed in Europe during the XIX century. The *Multiplex order* is characterized by the proliferation of transnational challenges to the international community and transnational actors involved such as multinational companies, NGOs and more. Forman & Segaar (2006) states that the new institutions and actors made the international architecture more complex and fragmented, regarding the operations of formal multilateral organizations and principles of universality, as well as more multilayered.

The balance of power in this new global order led to different concepts which look to describe the polarity of the world in the early 2000s. One of them is called asymmetric bipolarity (Stuenkel, 2017). The concept understands that while the United States is the main hegemon power in military terms, in terms of economic power, the United States lost the hegemony and China transformed itself in the economic hegemon. Another relevant concept to describe the polarity is the Uni-Multipolar concept (Huntington, 2003), understanding that the United States is the Hegemon, but it is not the only power in the political arena. Even if there are different concepts that

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address the changes in the balance of power, the reality of a world with more than one hegemon power and with middle powers that are trying to gain space in the decision-making arena is another characteristic of the multiplex world. As Mark Beeson (2019) explains, the middle powers have increased their capacity to create an agenda and to be part of the decision making. Countries like Canada, Australia, but also and Brazil have, because of the changes described, gained relevance. Adding, as described, the multiplex world, considers the state as the center of the order, but it also inherits from the 90s the proliferation of multiple non state actors like NGOs, Transnational Corporations and organized crime.

The fragmentation between classic and new institutions propelled by emerging powers is not linear nor direct. There are many types of fragmentation between the different areas that conform the Global Architecture. There are not the same the kind of challenges and institutions in the financial governance than the ones existing in the environmental governance, for example. Also, the way China responds to every aspect of the architecture is different; while in the environmental architecture the Chinese government has taken a conservative position, the economic governance is one of the main arenas in which China is contesting the established order. As mentioned by Forman & Segaar (2006) and Tussie (2016), there are multiple attempts to change the way business and relations are done in the international community giving birth to hybrid institutional arrangements, new intergovernmental coalitions, public-private partnerships and private sector initiatives. The new intergovernmental coalitions such as the G-20 promotes different characteristics for the existing institutions. They are informal, dynamic, multilayered and adaptable to the changing challenges. Also, as we will further see, even in the cases of a fragmentation of the order, sometimes the alternative institutions can cooperate with the pre-existing ones. One clear example of these is the role of the IMF in monitoring Argentina in the swap arrangement with China. As will be explained, the IMF still plays a central role in financial governance and even if there are some aspects in where it is contested, there are others in where the hierarchy remains.

Another important shift is the growing influence of transnational corporations. This companies are public goods providers but also tends to export the values of the country they are from as a form of soft power. As a strategy of financial statecraft China has used this companies to play a role in the implementation of the international agenda through the engagement in particular areas such as finance and trade (Forman & Segaar, 2006). Companies such as Huawei or the ICBC Bank are relevant to these matters. Also, these companies represent an indirect confrontation between China and the United States. For example, the Huawei conflict with Donald Trump can serve as

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an example of the competition in economic terms. It is central to take into consideration that these companies can be seen as forms of exporting values in terms of "soft power".

The last, but not least important change the financial global governance has faced is the change in the new logics of access to liquidity. As we will see, the Chinese swap arrangement and the CRA stablished as new challengers to the IMF as the lender of last resort. Even if they couldn't replace the IMF so far, there main strength is that the access to liquidity has different conditionalities that do not necessarily imply austerity policies as a measure to access to financial help. In other words, the conditionalities is another aspect that changed with the transition period of the Global Financial Governance.

In this paper we are going to focus on the Global Financial Governance. Due to the increase in the new technologies and the liberalization of the economy in the 90s coordinated responses are key to avoid crisis or to deal with them. Based on the former definition of global governance we understand Global Financial Governance as the collective effort to address the challenges the global economy faces in an interconnected and interrelated world with multiple currencies and floating exchange rates, an increase and diversification of capital flows and new technologies. In the economic governance as general and the financial governance as specific we are facing a multipolarization with new alternatives to the Liberal world order. This new parallel architecture can be identified in the emergence of n a new financial development agenda propelled by new development banks, such as the AIIB and the NDB, new liquidity arrangements such as the BRICS Contingency Reserve Agreement, the increasing Chinese bilateral swaps lines (McDowell, 2019), and the growth of the RMB as a new powerful currency looking to compete with the dollar. As mentioned by Forman & Seegar (2006), the new institutions and intergovernmental initiatives developed as a consequence of the failure of the effectiveness of the existing institutions, notably the Bretton Woods institutions, in dealing with transnational problems and the first manifestation of this alternative intergovernmental arrangements appear in the global economic and financial arena. These new institutions, and cooperation spaces have a double role, they *complemented the existing order but at the same time, challenged the existing intergovernmental institutions.* (Forman & Seegar, 2006).

In brief, the complexity of the changing global financial governance is marked by fragmentation between the Liberal Order created by the United States after the Second World War and the new parallel order that China and the emerging powers are building in the multilateral arena. At the same time, we also have been seeing an evolution of the regional orders, stimulated by China and Asia and an increase in the

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bilateral relations between countries. It is important to remember that the relation between these two parallel orders can be of confrontation, of coexistence but also of cooperation in certain cases. In other words, the relationship between the two alternative orders is going to be what states make with them. The relationship between the two alternative orders it is going to be what states make with them. However, the role of order actors is also going to affect the characteristic and the way the two alternative orders is.

In the next sections, we will address the definition of revisionist power in a broad sense and the main strategies that the Chinese government has been using to build the parallel economic architecture, understanding that the China challenge to the liberal order is likely to be selective and partial rather than outright systemic (Breslin, 2008).

3. A PATH TO REVISIONISM: WHAT DIMENSIONS ARE MEANINGFUL?

As we described before, the traditional conception of revisionism and status quo power depends on the support or rejection of a country to the international order (Chang, 2019). However, we have an approach that consider the socialization of a global power into the existing formal and informal rules understanding that taking a revisionist position does not mean changing every aspect of the preexisting order. The global financial order is shaped, as we are going to explain below, by the dispersal of power but also by the diffusion of economic ideas. As we mentioned, the 2008 financial crisis implications were a retreat of the United States and some countries of the European Union such as Spain, Greece, Italy and Ireland, and in contrast a strengthening of China, as one of the main US creditors.

To explain the changes in China's behavior and also the changes in the international community reactions to China's leadership we are going to focus on two dimensions: a) the distribution of political power and b) the power of ideas and how they shape and challenge the existing order. At the same time, the reaction of the middle powers and developing countries to the revisionism position as a mechanism of reinforcement of the strategy China has taken, (Broz, Zhang & Wang, 2020), is important to understand the increase in the South-South cooperation arrangements.

The first two dimensions are a key to understand the changes in the financial order because as explained by Drezner, & McNamara (2013), the interaction between the distribution of the economic and political power and the ideas are the two main driving forces of the creation of a financial order and they work as interactive variables. Since we are willing to explain the changes in the financial order, we are going to define political and economic power of a state taking the definition of Susan Strange (1988) of the structural power in International Political Economy focusing on the financial dimension of the concept. As Strange (1988) defined it, the power is the structure within the credit is created, the monetary system that determines the relative values, the currency in which a credit is emitted. In other words, it is the ability of an authority to create or control the creation of credits in the international economy. At the same time, monetary power has two hands as Cohen (2006) says: the power to delay, that is to postpone what would become continuing costs of domestic macroeconomic adjustment to reduce a trade imbalance and the power to deflect, that is to avoid transitional costs of adjustment by passing it to another trade partner. Taking *the Financial Development and Structure Dataset* developed by the World Bank, a database that contains indicators about the size, activity, and efficiency of financial intermediaries and markets, we are willing to measure the economic power of China, that we argue has growth in the last 20 years.

The role of ideas as an explanatory dimension has not been considered recently by scholars of IPE but the export of macroeconomic policy models is a key aspect of the challenges that the multilateral system constructed by the United States after the Cold War. State regulation was essentially unnecessary in the financial order because information in the financial markets was complete. The ideas and perceptions play a central role in the operations of markets and the belief of what having a balanced macroeconomic policy is, define the rules and the ordering principle. As Abdelal, Blyth and Parson (2009: pg.2) states: "*Structures do not come with instruction sheet for managers and policymakers. Instead, people can interpret their material environment in very different ways*". The mechanism of the power of ideas is explained by the concept of diffusion. This concept became relevant after the rise of the liberal world order and the interdependence theory. As Keohane and Nye (1973) explains, interdependence refers to situations characterized by reciprocal effect between countries or between actors in different countries. These effects are the result of international transactions, money flows, goods, people and messages between the international limits. As mentioned, powers can use different mechanisms to stablish a set of preferred ideas and the diffusion as a mechanism of spread consists in four ways of expanding ideas: coercion, competition, learning and emulation (Gilardi, 2012). The coercion form of diffusion is the imposition of a policy and the typical mechanism is conditionality, a mechanism already explained and used in the times of Washington

Consensus with the IMF as a lender and the neoliberal reforms as the standard conditionality. Regarding competition, the diffusion is based on the influence of one another in the competition of certain economic resources. The third mechanism of diffusion used as an explanatory variable of the power of ideas approach is learning, that is basically learning from the experience of another country. Last, emulation is defined as the diffusion of policies and ideas as a consequence of the normative and socially constructed properties (Gilardi,2012). This general approach can be applied to a national level as well as transnational level. In the last case, as explained before, the decisions made in one country depend on decisions made in other countries. It is important to mention that ideas become powerful when they diffuse and become widely accepted. For example, the China trilemma policy mix[1] was different from the Washington consensus, and it started to be looked up by other nations because of the positive response to the financial crisis of 2008 it enabled.

About the power of ideas explanatory mechanism, we can say that competition in some respects has been the diffusion mechanism used against the United States. At the same time, learning and emulating are the two other mechanisms of diffusion used.

Last, to understand the international alignment of some of the emerging powers to China, specially some of the members of the BRICS we think it is important to explain why, there has being an increase in the foreign support for China's economic leadership. We believe, taking the ideas of Broz, Zhang, and Wang (2020), that the increase in the foreign support of China's leadership is explained by the dissatisfaction of developing countries with the existing financial order and the failure to address the economic challenges. Countries that have experienced more failures when applying IMF programs are more likely to support Chinese global leadership. At the same time, one aspect to mention is conditionality. China offers long term infrastructure development finance with no ties in terms of macro adjustment and concomitantly unpopular economic decisions but with costs in the long term for the environment. However, the possibility to avoid taking unpopular austerity measures offers a very attractive option to obtain financial support. As a result, international support of a group of countries has been forthcoming and that led to a process of reinforcement of the revisionist position of China. In other words, the increase in the Chinese capabilities, the diffusion mechanism of ideas and the capacity of pushing in followers caused by

[1] Trilemma, often called the Mundell-Fleming trilemma, poses that countries have three options from which to choose when making fundamental decisions about managing their international monetary policy agreements: setting a fixed exchange rate, allowing capital to flow freely, autonomous monetary policy. As Mundell-Flaming states, countries must give up one of the three options.

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the dissatisfaction with the Washington consensus order also reflected in the official discourse of China to the international community.

4. THE EMERGING POWERS STRATEGY

Up to here we have described and defined the changes that the Global Architecture has suffered since 2000 and the changes in the China's and Emerging powers view. In this section we are going to focus on the strategy that emerging powers have been taking to make the institutions and global order functional to their interests, and that characterize the new diversity of the global architecture. The two main strategies that we are going to analyze are: the financial and economic statecraft and the role in the Bretton Woods institutions, with special attention to the changes in their decision making and the cooperation with new IFIs. All the strategies show the revisionist approach of the emerging powers in the already existing order and in the construction of an alternative order.

4.1 THE EMERGING POWERS STRATEGY: FINANCIAL STATECRAFT

Financial statecraft is defined by Armijo and Katada (2014: 2) as: "*the use, by the governments of sovereign states, of national levers of direct and indirect influence over financial assets, markets, and actors for the purpose of achieving larger foreign policy objectives*". As authors explains, Financial Statecraft can be analyzed with three variables: if it is offensive or defensive, bilateral or systemic, and if it is monetary or financial. At the same time the financial statecraft as a tool of foreign policy can be used between the Bilateral arena in where the State A directs its action to a Country B, or Systemic, in where State A directs is action to global markets or governance institutions. To this typology we will add the regional dimension due to, as we stated before, the new global governance is characterized by an increase in the regional orders and the regional institutions. A defensive strategy is oriented to protect the domestic economy from external financial pressures, while an offensive one implies an objective of disrupt the way other States behave.

At the same time, the definition of three arenas in which the states can direct their financial statecraft as we previously said are: bilateral, directed to a specific country, regional, directed to the region the country is part of or to a region in where there are hegemonic interests or to the system, with the objective to influence the financial markets and the global governance.

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Last, we have to sort out the difference between the financial policy and the monetary policy. According to Gilpin (2001), the integration of the international monetary system and the international financial system and their interaction on one another make difficult to stablish a dichotomy. The difference and definition we stablish is that the purpose of the international monetary system is, as said, to facilitate transactions in the real economy while the objective of the financial system is to provide investment capital. We define that there is a financial strategy when there is credit investment and lending. In contrast a monetary policy refers to interest rates, monetary regimes and strategic use of the currency.

An important distinction that its necessary to make before analyzing the different strategies of financial statecraft is the distinction between development and liquidity finance. In the former, the focus is on the development banks while the focus on liquidity finance is put under the financial arrangements and institutions that have the aim to provide liquidity to the system. The difference between both of the financial distinctions is that while the developmental financial has been stronger in disputing the power of the World Bank, the liquidity finance have been less successful because of the domain of the Dollar as the global currency (Table 1 presented below summarizes the argument).

Defensive and Bilateral financial statecraft

The strategies bilateral and defensive ones are most used by week and vulnerable countries to try to defend themselves or to shield themselves from the influence or strong advanced industrial countries. In other words, the defensive bilateral strategy consists of a State A that tries to defend from the actions of the State B. Latin American countries are the main countries using this type of strategy. Examples such as Argentina, Chile, Peru and Mexico use them. Default is one of the main commonly used strategies. Last, the diversification of resources of foreign sovereign borrowing, like Argentina during the 2005, when it received sovereign lending from China and Venezuela. At the same time, in monetary defensive terms, the strategy is the diversification of reserves. The aim of the monetary defensive strategies is to have a cushion in cases of fluctuation of the national currency as a store of value.

Offensive and Bilateral financial statecraft.

Offensive bilateral financial statecraft is the one in which a Country A targets Country B. Some authors believe that only mayor powers can exercise offensive bilateral financial statecraft. In the case of emerging powers, there are some instruments that can be used to achieve a foreign policy goal, for example promoting a payment system, using credit or aid to have more control over neighbors and using financial pressure with the example of accumulating reserves, like the East Asia's so called "savings glut". In the case of monetary issues, the two strategies are: encourage local currency trade invoicing with smaller neighbors and the power to deflect and manipulate the exchange rate to oblige target to adjust the payment imbalances. Here, even if there are not many examples of currency expansion by the emerging powers, there is a potential opportunity for those states in the trend of invoicing trade in each other's home currencies, providing an opportunity to not incur in obligations in US Dollars. Also, the RMB Swap arrangement between China and a host of 35 countries accounting for more than USD 500 billion (McDowell, 2019) can also be seen as a new type of bilateral currency expansion.

The Peoples Bank of China has been one of the main drivers of the RMB internationalization. With this main objective in mind, the Bank began to expand the RMB swap agreements in 2009 and to try to settle trade between the local currencies and the RMB without using the dollar. One of the main characteristics of the swap arrangements is that they are not part of a multilateral framework like the Chiang Mai initiative. They conform a network of bilateral swap arrangements. In addition, the swap arrangements were not created to make liquidity in dollars available between the banks as do the CMI swap agreements were. The first agreement was signed with South Korea, but the strategy was expanded across the world and in 2017, China maintained a total of 35 swaps arrangements. Such an extended network of swaps can be considered a step in the direction of an offensive strategy of financial statecraft. So long as the network continues to expand the agreements serve to enhance China's global status but also issuing a global currency would in time bring a range of economic benefits to China such as reducing the exchange rate risk by the Chinese firms, increasing the competitiveness of the Chinese banks and promoting trade with China.

Regional Defensive Financial Statecraft

Under the regional financial statecraft, we also have defensive and offensive strategies. In the first case, securing regional financing and promoting multiple reserve currency are the main objectives. Promoting a system of multiple reserve currencies is a way of protecting the region from the vulnerability inherent in the dependence of a single currency. Asia is the prime example to understand defensive reactions in regional terms. After the 90s financial crisis, East Asian governments had a defensive response towards domestic reforms but also towards financial regionalism. The governments pursued diversification of financial instruments for long-term investment through the establishment of local bond markets that where supported by the ASEAN+3 finance ministries through the Asian Bond Market Initiative. Also, because of the necessity of currency stability, the region organized regional currency initiatives to create a currency buffer. At the same time, when it comes to Swap arrangements, these are difficult to classify since depending on how they are conformed, membership, and conditions they can be offensive or defensive. In the first case, swaps can be a direct exchange between the currency chosen of two countries avoiding the use of the dollar. In the second case, swaps can be managed with recourse to dollars.

Regional Offensive Financial Statecraft

Compared to the defensive strategy, offensive regional statecraft consists on building regional development banks in addition to a monetary policy of currency regionalization supported with SWAP arrangements. When it comes to identify the reasons why the new regional banks arise as proliferation phenomenon that characterize the process of change in the financial order, Shelepov (2016) identifies two factors that explain the motivation that every region has created multiple development banks: the severe bottlenecks in infrastructure financing, and the aspiration of developing countries for a greater role in the global financial system. As is going to be shown below, the lack of ability of the World Bank to deal with infrastructure development and the lack of financing, as well as the increasing regionalization gave birth to multiple development banks in Latin America, Asia and the BRICS.

In terms of policies, as we said before, Swap arrangements are considered an offensive financial statecraft strategy because they have been used as a short-term liquidity backstop outside the Bretton Woods institutions. In this sense we are going to analyze the swap initiatives like Chiang Mai and the BRICS Swap Arrangement. The way swaps function is simple: when a swap line is activated, both parties to the agreement exchange their own currency, or a hard currency such as dollars. The agreement usually limits the size of the deal and the duration of the swap can be draw. In the case of Chiang-Mai, the initiative was established as an Asian effort to have a regional emergency funding facility. However, since the 2000s, the total amount of

Chiang-Mai swaps gradually increased in 2009 starting to be a multilateral arrangement expanding the swap lines from USD 80 billion in 2009 to 240 billion in 2012. The BRICS Contingency Reserve Agreements intended to lessen the dependence of the dollar (Eichengreen, 2014). The five BRICS agreed to pool USD 100 billion of their foreign exchange reserves on swap lines which all members are entitled to draw.

In Latin America, the main offensive regional strategy was dominated by ALBA, Petrocaribe and the CAF. Although the latter showed some organizational improvements looking for address the borrower's demands (Humphrey, 2014), it is the first two institutions which sought to openly challenge the liberal hegemonic finance order in the region. Petrocaribe and ALBA were used as an alternative canal to supply oil to the region (especially in the Caribbean and Central America) in exchange to infrastructure development. ALBA also promoted economic cooperation, including a unit of account (the Sucre), which looked for reducing the use of US dollars in regional trade, resembling the Bancor Keynesian proposal at the Bretton Woods Conference.

Systemic Defensive Financial Statecraft

Systemic financial statecraft is different from the bilateral and regional one in the sense that it tries to deal with the environment in where the global financial relations and the monetary relations occur. In the case of the defensive systemic financial statecraft, the states try to defend themselves from the influence of the global financial markets. Actions that can count as defensive in financial terms are establishing capital controls, nationalizing state banks and diversifying sources of foreign capital. These policies have the aim of resisting contagion from global market crisis. In Latin America, these policies were used by countries such as Venezuela, Brazil and Argentina that used state intervention in the financial system whereas at the same time they maintained their trade account open. In terms of emerging powers China, India and Brazil have used state intervention relying more on domestic rather than international finance. In monetary terms, the defensive systemic strategy is based on the idea of resisting currency pressures from the global market. Emerging Countries could accumulate reserves as a way of self-insurance. During the 2000 there were also initiatives to attempt a multilateral liquidity cooperation on their own terms, rather than resorting to the IMF. In Latin America, the Latin American Reserve Fund, with members such as Ecuador and Bolivia, is a case in point.

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Systemic Offensive Financial Statecraft

Systemic offensive financial statecraft is more far reaching. It is intended to reshape the global economy structure and relations. In terms of offensive financial statecraft, the strategies could be to suppress capital controls or establish conditionality to the borrowers. The conditionality feature is of major significance because conditionality under US terms has been recognized as undesirable because of the failure in the economic programs imposed by the IMF. However, China's new economic arrangements also have a conditionality aspect, but different from the traditional conditionality policies like making mandatory the contracting of Chinese companies to construction. In other words, conditionality is an offensive approach of doing financial statecraft, that emerging powers, specially China, has used, but trying to stand apart from the US classic approaches. At the same time, in monetary terms, the participation in global monetary governance and promoting norms of adjustment as well as establishing the national currency as a reserve currency are some policies used as an offensive approach to the monetary governance. In Table 1 we present the typology we have reviewed

Table 1. FINANCIAL STATECRAFT REVIEW. BY LEVEL AND STRATEGY

	Defensive	**Offensive**
Systemic	*IMF Multilateral Swap**	. AIIB
Regional	. Asian Bond Market Initiative . BRICS Contingent Reserves Arrangement (2014) . Chiang Mai Initiative (2000)	. ALBA and Petrocaribe . New Development Bank . CAF (LATAM Development Bank)
Bilateral	. Default	. Chinese Development Bank . BANDES, . Chinese Bilateral Swap Arrangements

* Still a proposal

Source: own elaboration inspired in Armijo and Katada (2015).

Table 2. MAIN NEW FINANCIAL INSTITUTIONS AND ARRANGEMENTS AND MEMBER COUNTRIES

Institution	Country
AIIB	Afghanistan, Algeria, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belarus, Belgium, Benin, Brazil, Brunei, Cambodia, Canada, China, Cook Islands, Côte

	d'Ivoire, Cyprus, Denmark, Ecuador, Egypt, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Greece, Guinea, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Ireland, Israel, Italy, Jordan, Kazakhstan, South Korea, Kyrgyzstan, Laos, Liberia, Luxembourg, Madagascar, Malaysia, Maldives, Malta, Mongolia, Myanmar, Nepal, Netherlands, New Zealand, Norway, Oman, Pakistan, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Samoa, Saudi Arabia, Serbia, Singapore, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Tajikistan, Thailand, Timor-Leste, Tonga, Turkey, United Arab Emirates, United Kingdom, Uruguay, Uzbekistan, Vanuatu, Vietnam
Asian Bond Market Initiative	China, Japan, Republic of Korea, Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam
BRICS Contingent Reserves Arrangement	Brazil, China, India, Russia, South Africa
Chiang Mai Initiative	China and Hong Kong, Japan, South Korea, Indonesia, Thailand, Malaysia, Singapore, Philippines, Vietnam, Cambodia, Myanmar, Brunei Darussalam, Laos
ALBA	Antigua and Barbuda, Bolivia, Cuba, Dominica, Granada, Nicaragua, San Cristobal and Nieves, San Vicente and las Granadinas, Venezuela
New Development Bank	Brazil, Russia, India, China and South Africa
CAF	Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, España, Jamaica, Mexico, Panama, Paraguy, Peru, Portugal, Dominican Republic, Trinidad and Tobago, Uruguay, Venezuela
Chinese Development Bank	China
BANDES	Brazil

Source: own elaboration

ASIAN FINANCIAL STATECRAFT

Since 2000 to 2020, there has been an increase in the use of the strategies of financial statecraft from defensive to more offensive ones in terms of political and economic capabilities but also offensive in the diffusion of ideas. The typology explained just give ideal types of the strategies commonly used but it is clear that China does use both defensive and offensive options, increasing the latter specially with the swap arrangements in Asia and in Latin America and Africa (Armijo, 2019) in terms of power capabilities.

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During the 90`s the Chinese strategy lent to the defensive, due to the need of protecting the Chinese manufacturing sector from the external competition. At the same time, Armijo (2019) explain that after the Asian Financial Crisis the Chinese Central Bank learnt the importance of increasing their international reserves and East Asian countries decided to avoid the recipes of the IMF and so to enter in a Swap Agreement like Chiang Mai. As Grabel poses (2018), the offensive strategy was taken regarding the expansion in the scale of activity and geography of the regional institutions. The Chiang Mai Initiative expanded with a multilateralization strategy. Originally developed shortly after the Asian Financial Crisis with Japan and South Korea as a defensive strategy to protect the region from the financial volatility and limiting the IMF presence, more so after the Financial Crisis of 2008, to transforming into a more offensive strategy. In addition, taking the approach not of power capabilities, but of diffusion of ideas, we can say that since the 2000, China has set an example that stands apart from the established ideas of the Washington Consensus. Using the power of ideas approach, we can say that in terms of political and material power, China had a more defensive approach, but in terms of diffusion of ideas, China set an example making learning and emulating the two ways of expansion and in terms of ideas having a more offensive approach. A clear example of that is the rise of the BRICS as the rhetoric and principles that define the organization (Tussie, 2018).

Some important changes showing a more offensive approach in terms of power capabilities have being the rise of new development banks and development initiative. Some of them are the creation of the New Development Bank, the Asian Infrastructure and Investment Bank, the Belt and Road Initiative, the BRICS contingency reserves arrangements and more. The importance of these initiatives is that they are offensive at a regional level but also at a systemic level because they represent a competition to the World Bank in the infrastructure area. One substantial topic that has being made between the scholars regarding the characteristics of these new banks and swap agreements and their binding conditions. The emerging economies had been getting closer to China because of the economic benefits it has. In terms of infrastructure, funding and trade, at the center of the Foreign economic policy of Xi Jinping, the AIIB, the Export-Import Bank of China and the China development bank are different institutions that have financing as a central attraction for China followers. Also, China offers an increase in trade and investment linkage to its partners.

In both cases, the AIIB, and the BRI represent two examples of offensive financial statecraft.

Chiang Mai Initiative

The Chiang Mai Initiative (CMI) was the first currency swap arrangement launched by the ASEAN + 3 countries in May of 2000 at an attempt to address the liquidity difficulties of the region and as a way to supplement the existing financial arrangements, for some analyst the initiative was a direct consequence of the 1997 Financial Crisis (Bowles & MacLean, 2019). The CMI is formed by the ASEAN Swap Arrangement (ASA) and by the network of bilateral swap arrangements (BSAs) among the ASEAN+3 countries. The function or objective of the arrangement was to swap local currency for U.S dollars when facing a liquidity crisis. In the wake of the 2008 financial crisis, the CMI started the process of multilateralization, passing from being a regional defensive strategy to an offensive one. The Chiang Mai Initiative Multilateralization (CMIM) started in 2010 as a single pooled reserve scheme. The multilateralization also brought a cooperation scheme with the IMF because to access to financing there is a need to promote consistency between CMIM and IMF co-financing arrangements with 120 billion USD. In 2012, the CMIM doubled its size to 240 billion USD. The way the CMIM works is not a common or centralized fund. The contributions of each country remain in the central banks of the member countries. In the event of a balance of payment or liquidity crisis a member government can swap its local currency for US dollars from this pool. Each country`s borrowing quota is based on its contribution multiplied by its respective borrowing multiplier. The members of the CMIM are China and Hong Kong, Japan, South Korea, Indonesia, Thailand, Malaysia, Singapore, Philippines, Vietnam, Cambodia, Myanmar, Brunei and Laos.

The relationship between Chiang Mai and the IMF, is a link created to coordinate the operational and policy aspects of co-financing. In order to smooth the machinery for activation, ASEAN+3 and the IMF have jointly conducted test runs annually.

Asian Bond Market Initiative

The Asian Bond Market Initiative was launched in December 2002 by the ASEAN + 3 (China, Japan and the Republic of Korea) to strengthen the financial stability and reduce the region´s vulnerability to capital flows. The main task is to develop bond markets and promote regional financial cooperation and integration. This approach is based on the rationale that a more developed and integrated local currency bond markets, would enable the economies in the region to mobilize domestic savings to finance their long-term investment needs and reduce their vulnerabilities to the reversal of capital flows.

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China's Bilateral Swap Arrangements

One of the main offensive financial statecraft that China has used to pursue the national foreign policy. Since 2008 the Peoples Bank of China has signed 35 bilateral swap arrangements (BSA) equivalent to 500 billion USD dollars. The Chinese government used the BSAs as a short-term liquidity backstop outside of the Bretton Woods institutions for partner countries in need (McDowell, 2019). The possibility of China being a lender in economic crisis situations makes this strategy very powerful. The first swap was signed between the Peoples Bank of China and the Bank of South Korea. This first deal was different from the Chiang Mai initiative since it was not part of a broader multilateral arrangement and it was not signed using the dollar as the currency of exchange between banks. The strong position and innovative aspect of the swap arrangements is that the liquidity channel between the banks is done using domestic currencies of the countries like the renminbi. The expansion of this Chinese strategy has grown upon the point where Chinas central bank is the bank with more signed agreements of this kind. As we already know, currency swaps work as collateralize loans and the China Swaps work in the same way. But why we say that the Swap arrangements in this case are offensive? As explained by (Mc Dowell, 2019) China uses them as a strategy to internationalize the RMB. Also, it brings some economic benefits such as the reduction of exchange rate risk that Chinese firms faces, more competition for Chinese banks and increasing global trade with China. At the same time, the swap arrangements can also be seeing as defensive financial statecraft understanding them as a shield to facilitate the use of RMB and to preserve the autonomy from US currency structural power (Strange, 1988) inherent the fact of the US being the global internationalized currency par excellence. The Swap strategies allows that foreign central banks can make RMB available to participating commercial banks within their jurisdiction. The commercial banks can then make RMB available to firms that wish to use the currency to pay for Chinese imports. However, the trading system, besides the Chinese efforts remains highly dependent on the US dollar. Yet, American dominance in the global financial and monetary systems generates power for Washington in a more conventional sense, that is the power of influence. The main influence is bailing out governments in crises using either bilateral loans or IMF loans. Using the BSAs, China is developing a potential to manipulate access to liquidity and challenging the United States (Mc Dowell, 2019). From the whole swap program five countries have already activated the swap: Argentina, Mongolia, Pakistan, Russia and Ukraine. In 2015, the Argentina government was on the verge of a sovereign debt default and the government requested PBOCs for help. The Argentinean Central Bank had been the first swap partner in Latin America signing the initial agreement in 2009;

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in the 2015, the country borrowed the RMB equivalent to 2.7 billion USD from its 11 billion swap line with China. The Central Bank used the funds to top up falling foreign reserves (Brenta y Larralde, 2018). Russia has also drawn on its swap line with the PBOC to address its liquidity needs. The overtures between Beijing and Moscow began in late 2014, as Western sanctions and falling oil prices caused the ruble to fall to its weakest level in 20 years. Through China and Russia already had an RMB 150 billion swap line in place, Beijing publicly stated it was ready to increase the size of the deal considering the new challenges facing the Kremlin. While the size of the swap line was not increased, the Size of the Swap line on several occasions between October 2015 and March 2016.

One of the clearest examples of revisionist behavior is the swap arrangement between China and Russia. The swap arrangement was activated for political reasons: to challenge the western sanctions imposed on Moscow in 2014 aggravated by falling oil prices and so offer financial assistance. The move showed the will to challenge the western order.

Regarding the limitations of the strategy, the main limitation is that the internationalization of the RMB is not growing very fast at present. Outside of bilateral deals with China, the RMB remains not highly used for trade agreements. The reason for this is that the currency is not freely convertible, and it use is not unlimited in the world market. As a consequence, when a country in crisis uses the RMB swap line to pay for import goods, for example, the use of the currency is limited, and it serves only to pay Chinese goods. At the same time, Swaps could be used to change it to dollars. But reconverting the RMB to dollars simply reinforces the dollar’s dominance. In sum, the swap lines face a situation in where: they exist, in part, to promote the international use of the RMB, but since the RMB is not widely used, countries will not have much reason to tap their swap lines in the first place.

The Asian Infrastructure Investment Bank AIIB

On October of 2014, 21 Asian countries signed the Memorandum of Understanding on the establishment of the Asian Infrastructure Investment Bank (AIIB). The initiative to create the lending institution was announced by Xi Jinping explaining that the main objective was to promote interconnectivity and economic integration in the region, primarily on the basis of cooperation. The AIIB is a multilateral development bank with a mission to improve social and economic outcomes in Asia

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with 103 members and 21 prospective members[2]. Jin Liqun of China was named as the Secretary General of the AIIB and was responsible for technical preparations for the launch of the banks operations and organizing meeting between the founding members. Similar to the New Development Bank, the AIIB authorized capital amount was of 100 billion USD divided into 1 million shares. In terms of the governance system, the AIIB has a complex system in which the total voting power of each member is the sum of its basic votes, shares votes and Founding Member voters.

- Basic votes are defined as those resulting from the equal distribution among all the members of 12 percent of the total sum of votes. They are the same for each member.
- Share votes: The number of share votes equals to the number of shares of the AIIB capital stock held by a particular member. In other words, the shared votes are equal to one vote for each share of stock held by a member. Larger shareholders consequently hold more share votes and in result rules for the allocation of capital subscriptions have an impact on relative voting power.
- Founding member votes: each founding member is allocated 600 additional votes per member.

Table 3: AIIB PERCENTAGE OF SHARING VOTES AND VOTING POWER

Type of votes	% of total votes	Number of votes	Number of votes per member
Basic	12	138,510	2,430
Shared	85	981,514	Variable number
Founding Member	3	34,200	600

Source: own elaboration based on AIIB data.

2 Regional Members: Afghanistan, Australia, Azerbaijan, Bahrain, Bangladesh, Brunei Darussalam, Cambodia, China, Cook Islands, Cyprus, Fiji, Georgia, Hong Kong, India, Indonesia, Iran, Israel, Jordan, Kazakhstan, Korea, Kyrgyz Republic, Lao PDR, Malaysia, Maldives, Mongolia, Myanmar, Nepal, New Zealand, Oman, Pakistan, Philippines, Qatar, Russia, Samoa, Saudi Arabia, Singapore, Sri Lanka, Tajikistan, Thailand, Timor-Leste, Turkey, United Aran Emirates, Uzbekistan, Vanuatu, Vietnam.
Non-Regional Members: Algeria, Austria, Belarus, Belgium, Benin, Canada, Côte D´lvoire, Denmark, Ecuador, Egypt, Ethiopia, Finland, France, Germany, Ghana, Greece, Guinea, Hungary, Iceland, Ireland, Italy, Luxembourg, Madagascar, Malta, Netherlands, Norway, Poland, Portugal, Romania, Rwanda, Serbia, Spain, Sudan, Sweden, Switzerland, United Kingdom and Uruguay
Prospective Members: Argentina, Armenia, Bolivia, Brazil, Chile, Croatia, Djibouti, Kenya, Kuwait, Lebanon, Liberia, Libya, Morocco, Papua New Guinea, Peru, Senegal, South Africa, Togo, Tonga, Tunisia, Venezuela.

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One advantage of this governance system is that having basic votes and founding member votes allows to attract countries with very limited financial resources and demonstrate respect to such countries by giving to them more voting power than other vote distribution models. At the same time, because of the shared votes and the system of voting, China holds veto power in the institution having a 26% of the voting power, that allows to block initiatives.

China's decision to take some form of multilateral leadership in the shape of the AIIB was one of the first signs of the new Chinese challenge to the existing financial economic order. However, the AIIB is still a system conforming institution. Breslin (2018) holds s that it complements existing funders, rather than a revolutionary break to replace them. It works in cooperation with the World Bank and the Asian Development Bank. This example shows, as we mentioned before that, the relationship between institutions can also be cooperative, and not only a competitive. Since the United States has not applied to enter these banks, the question that rises is if China is challenging the global financial governance per se or if it challenging the United States hegemony? The case of the AIIB shows not a challenge to the west itself but a challenge to the United States, because the bank play by the western rules and countries such as Britain have applied for membership.

In terms of access to finance, the Articles of Agreement establishes that the Bank will provide or facilitate financing to any member or any agency instrumentally or any agency operating in the territory of the member, but also to international or regional agencies that are concerned with the economic development of the Asian region. The Articles of Agreement allows the Bank to provide financing in different ways such as making loans, investing in an equity capital of an enterprise and guaranteeing, as primary or secondary obligator in whole or in part, loans for economic development.

The Sovereign- Backed Financing is a loan to or guaranteed by a member. The guarantee is meant to cover debt service defaults caused by a government's failure to meet a specific obligation in relation to the project or by borrower's failure to make a payment under the loan. At the same time, the non-sovereign backed financing is the financing to non-sovereign entities. It includes any financing to or for the benefit of a private enterprise or a sub sovereign entity like administrative subdivisions of a member or a public sector entity that is not backed by a guarantee or counter guarantee and indemnity provided by the Member to the Bank. Last, the Equity Investment the Bank may make direct equity investments in private or public sector companies. It may invest either in a new enterprise of an existing enterprise. The investment may take a variety of forms, including subscriptions to ordinary shares or preferences shares (or a combination of both); a loan to convertible into equity. The

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Bank`s investment may not exceed thirty percent of the company's ownership holdings.

In terms of approved projects, there are 95 projects approves in total. The increment of the activity of the bank increased a lot. In 2016, when the bank started, the projects approved where 8, the next year, the 2017 the approved projects doubled passing from 8 to 15 and from 15 to 12 in 2018. The last two years the projects approvals increased from 28 projects approved to 32. Regarding the type of projects, the 22% approved to finance energy, the 18% of them where approved to financial institutions such as local banks are, the 17% to finance transport and 11% to finance water development. In other words, the 68% of the projects are directed to development infrastructure for countries, for example, the Project of Housing Development Finance Corporation, that is a line of credit for affordable housing in India. Another example is the loan received by the National Bank of Egypt On-Lending Facility for infrastructure, that received USD 150 million to finance construction and infrastructure in Egypt. Examples of energy projects are multiple, but the SUSI Asia Energy Transition Fund, an equity fund established to provide institutional investors with the opportunity to take advantage of the energy storage and microgrid projects in the region, with a funding of US$ 100 million to mobilize private capital investments for the energy sector in renewable energy, energy efficiency, energy storage and microgrid projects in selected AIIB members within developing Asia via a fund. The total approved financing up to 2020 is the amount of 20.96 billion USD and the committed financing is of 11.25 billion USD (AIIB Annual report, 2019).

The Belt And Road Initiative (BRI)

The origins of the BRI are related, often, to the speech of the president Xi Jinping in September of 2013, where he referend a new "Silk Road Economic Belt" between Eurasian countries. This idea was name: One Belt, One Road".

The *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road* propose the five key areas and objectives of the organization: First, the creation of an intergovernmental mechanism for dialogues. Second, the connectivity aimed at developing an infrastructure web to link the sub regions in Asia, Europe and Africa. Third, eliminate trade and investment barriers and create free trade zones among countries. Fourth, to support through financial cooperation and the promotion of the stability of Asian Monetary, investment and credit system and Last, people to people exchange as a friendly cooperative measure.

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However, the BRI has also other objectives such as the internationalization of the RMB, the increase in Chinas popularity and developing countries.

The initiative became more and more institutionalized with its inclusion in the constitution of the communist party of China during the 19th National Congress in October 2017. Another important institutional advance was the Belt and Road Forum for International Cooperation held in Beijing in 2017. The BRI frames projects and involve large scale investment programs that attracted the attention from government officials, academia, and the business community.

The BRI, as well as Gonzalez Jauregui (2020) describes, has been a key element of the foreign policy of China especially respect Latin America, the backyard of the United States dominance. The Chinese government increase the level of visits, signed Free Trades and Investment Treaties. In 2016, China announced the desire to include Latin America in the BRI. Afterwards, in 2017, Brazil, Peru and Venezuela sent delegates to the first BRF, while the president of Chile and Argentina attended themselves to the meeting. 19 Countries of the region moved forward to be included starting by Panama. After: Uruguay, Ecuador, Venezuela, Chile, Bolivia, Costa Rica, Cuba, Antigua and Barbuda, Trinidad and Tobago, Guyana, Suriname, Dominica, Barbados, Grenada and the Dominican Republic, El Salvador, Jamaica and Peru. After six years since its announcement, the BRI embraces a three-level scheme of development, including domestic regional and global scopes.

THE BRICS FINANCIAL STATECRAFT

The increase in economic capabilities of the emerging powers gave rise to the multilateral club (Tussie, 2018) formed by the most influential rising powers: Brazil, Russia, India, China and South Africa. The new “multilateral club” started when the ministers of the countries met on the sidelines of a UN General Assembly in 2006, and in 2008 at a formal quadripartite foreign ministers meeting. Their economic ascent made the BRICS the main challengers of the economic and world order dominated by the United States. The Financial Crisis, however, was the tipping point that gave rise more formally to the BRICS, when they held a formal summit in 2009. They invested in building new institutions as the BRICS Development Bank, the Contingent Reserve Arrangement and the Chinese-initiated Asian Infrastructure Investment Bank (AIIB) in which the other BRICS are among the top holders. Against the doubts of the western scholars, the BRICS have cooperated to promote reforms on the Bretton Woods institutions and build parallel international financial institutions, but they have also stand together against financial sanctions imposed by the Western powers. In other

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words, they have been more successful in crafting and carrying out common positions in financial statecraft than the west had expected (Roberts, Armijo & Katada, 2017)

Common aversions that the BRICS have against the Western order in the area of financial statecraft reflect the powerful incentive they have to protect their national policy discretion from the U.S financial leverage and structural power exercised through the IMF or by the control of the Global Banking System. Also, BRICS governments object to the conditionality the IMF programs has that go beyond the economic fundaments and that enter in political requirements. Their financial statecraft, then can be resumed in two main policies:

1. Pressure the classic institutions of Bretton Woods to gain power inside them
2. Resist and develop alternatives to the traditional liberal order

The New Development Bank

The New Development Bank was created in July of 2015 at the BRICS summit in Brazil. The leaders announced the agreement on the creation of the New Development Bank. The leaders of the five countries members of the BRICS settled a bank with the aim of mobilizing infrastructure and sustainable development projects in the BRICS and other emerging economies and developing countries and as established in the agreement: "*The bank shall support public or private projects through loans, guarantees, equity participation and other financial instruments"* (Agreement on the New Development Bank, 2015). The members are Brazil, Russia, India, China and South Africa but the membership is open to members of the United Nations the Bank shall determine by a special majority at the Board of Governors and as mentioned is open for borrowers and non-borrowers. All matters shall be decided by a simple majority of the vote cast, so 2/3 of affirmative votes of the total voting power of the members. The number of shares of each country is a total of 100,000 USD corresponding to a 20% of the total, giving each country a voting right of 20% as well. The voting power of each member shall equal its subscribed shares in the capital stock of the Bank. Showing the ideal of an equalitarian distribution of power between its members, the president of the Bank shall be elected from one of the founding members on a rotation basis and there shall be at least one vice-president from each of the other founding members. The mission of the Bank is to support infrastructure and sustainable development efforts in BRICS and other underserved, emerging economies for faster development through innovation and cutting-edge technology. As defined by the bank itself, one of the main values is to become a partner in development that goes beyond the conventional codes of multilateral banks. It represents, operates and is recognized for its values that fulfill the founding vision. The bank partners with nations through capital and knowledge, achieving development goals with transparency and empathy and creating and equal opportunity for the development of all countries. The initial authorized capital of the bank was of 100 billion USD and a subscribed capital of 50 billion USD distributed equally between the member states. The subscribed capital is divided into paid-in shares. Every member of the NDB is obligated to subscribe to shares of its capital stock. Initially the five founding members subscribed to equal shares in the capital of the Bank. The key milestones of the NDB are the cumulative sum of 15 billion dollars in projects approvals for 53 projects until 2019 (New Development Bank Annual Report, 2019). An important aspect of the decision making in the Bank is the principle of equality among the BRICS countries. This way of decision making represents the desire to move away from the practice of the traditional multilateral development banks where members with greater economic weight have more capital shares and that have an effect on the governance system because the votes are distributed equally among all the members regardless of their contribution to the capital of the bank. The maximum number of board directors of the NDBs Board of directors' members shall be 10, with 5 of them representing BRICS countries. In 2019, the total approvals of loans was of 7,192 million USD and a total of 22 loans for different projects. Of all this project approved, 5 where related to clean energy, 6 to transport and infrastructure and 5 to urban development. The cumulative approvals by type of operations are 11,9 billion USD in sovereign loans, 2,9 billion in non-sovereign loans and 100 million USD in Equity investments (BRICS Annual report, 2019)

In the year 2019, the amount of sovereign loans operations was US$ 5.6 billion USD, compared to 1,5 billion USD that where non-sovereign loans and 100 million USD equity investment. In a cumulative statistic, there has been 4 billion USD assigned to finance projects in India; 4,2 billion USD to finance projects in China; 2,7 billion USD to Russia; 2,4 to South Africa and 1,5 to Brazil (BRICS annual report, 2019)

A key feature of the NDB is the commitment to provide local currency financing, which now represents a significant share of portfolio. Since the beginning, the NDB has been operating with loans in RMB but also in ZAR. In the cumulative approvals by currency, this is noted clearly.

The Contingent Reserve Arrangement

The Contingent Reserve Arrangement (CRA) is a reserve pool to support liquidity in situations of balance of payment imbalances. It was also established in 2015

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in Brazil with the aim to be a financial safety net and complement existing international monetary and financial arrangements. In the objectives, the CRA establish that the aim is the provision of support through liquidity and precautionary instruments in response to actual or potential short-term balance of payment pressures. According to the Treaty for the Establishment of a BRICS Contingent Reserve Arrangement, the initial resources committed were 100 billion USD with the commitment of 41 billion by China, 18 billion by Brazil, 18 billion by Russia, 18 billion by India and 5 billion by South Africa. The members are entitled to make a request to access to resources at any time. Once the request is approved, the request is acceded through a swap arrangement.

The governance of the CRA is constituted by a Council of CRA governors and a standing committee. The governing council shall take decisions by consensus and shall be responsible for high level and strategic decisions of the CRA. The CRA includes the following instruments:

- A liquidity instrument to provide support in response to short term balance of payments pressures.
- A precautionary instrument committing to provide support in light of potential short-term balance of payment pressures.

A party may request support through one of the instruments supports through one of the instruments specified according to the procedures established by the Standing Committee. Provision of USD to the requesting party shall be affected through currency swaps carried out between the party's central banks on the basis of common operational procedures to be defined by the standing committee. The CRA has never been activated, showing that even if it has a powerful tool in moments of economic crisis, countries still use the IMF.

THE CASE OF SOUTH AMERICAN FINANCIAL STATECRAFT

In Latin America, there is a great debate about the role the regional banks and institutions. During the period between 1990 to 2014, the region has experienced big steps towards regionalism passing from 7 to 13 organizations, but with an important stagnation since the 2014 until nowadays. Some organizations such as the Association of Caribbean States (1994), the Mercosur (1991), ALBA (2004), UNASUR (2008), CELAC (2010) are some of the newcomers that during the 90s. Scholars analyze the proliferation of these organizations regionally. Even if there is a common idea among the proliferation of regional organizations, the future of these organizations was more discussed among scholars. The first attempts to explain the future of the regionalization

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of Latin America was made by authors like Malamud and Gardini (2012). In their negative view they understand that having overlapping institutions and segmented regionalism is not a sign of integration but an indicator of decentralized sub regionalism and disintegration. Contrary, Tussie and Riggirozzi (2012) have a more optimistic view. For them, the future trend wouldn't be only a regional block, but also towards a region with plural regional policies, different regional identities and regionals forms of competition and cooperation.

In other words, as Nolte (2014) says: "*Latin America today is home to a broad spectrum of regional organizations that embrace different issue areas, reflect different types of integration and cooperation, and represent different political ideological projects."* But it is not all about cooperation, because there are issues and topics that coexist without affecting each other, and in some cases compete and overlap in the same areas.

The 1990 was a period, as we mentioned before of different regional cooperation projects in Latin America and have simultaneously represented divergent interests. At the same time, as Hurrell (1992) mentions, there has being an overlapping of Latin America cooperation with the hemispheric cooperation. But the rise of multiple new organizations also brought conflict. For example, between the ALBA and the OAS or the ALBA and the Pacific Alliance.

Since we are going to focus on the financial governance, the institutions that we are more interested about are the ones regarding financial statecraft such as developing regional banks, promote payment systems, and create alternative financial institutions compared to the existing order. The institutions we are going to analyze are the Bank of the South, the Latin American Reserve Fund, The Development Bank of Latin America, the Brazil National Bank of Economic and Social Development and Petrocaribe.

It is important to mention that this period of growth regionally came with a context of what it's called the reprimarization of the economic activity because of the rise of the prices of the primary products and with a context of independence in the political views of the different governments. This context of rise of prices accompanied by an independence atmosphere spread in many countries of Latin America was described by Svampa (2011) as the "Commodities Consensus". However, nowadays, because of the problems the region faced itself in the last years, the region is decentralized and there is conflict and division of norms. As Armijo & Katada (2015) explained using defensive and systemic financial statecraft is a way to resist against influences from the global financial markets. In the case of Latin America, this strategy

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has been used by many countries in the region. Policies such as capital controls, the use of public banks to implement counter-cyclical policies and others were used to avoid contagious of the global markets. In other words, interventionism was specially used as an Argentinian and Brazilian strategy of Systemic Defensive Financial Statecraft. The case of the Bank of the South and ALBA represent two examples of regional offensive financial statecraft. At the same time, the case of the Brazil National Bank of Economic and Social Development represent an example of an offensive financial statecraft but in a bilateral level and not in a regional one, since is a state own bank that started funding companies of Brazil.

The Bank Of The South

The Bank of the South is a development bank and a monetary fund created in 2007 as an initiative of the main left governors Nestor Kirchner and Luiz Inácio Lula da Silva. There members are: Argentina, Brazil, Bolivia, Ecuador, Paraguay and Venezuela. The main goal of the bank was including and open new ways and alternatives to funding in the region and specially an alternative to the Interamerican Bank of Development, in which the United States is part off. At the change of the century, the government projects in Venezuela, Brazil, Argentina, Uruguay, Ecuador, Nicaragua and Paraguay where different from the liberalizing trend before the 2000s and wanted to distance from the regional integration in which there is an American domination. In other words, as Estay (2018) says, it was a return to the development agenda. It created expectations around the possibility of building an alternative regional funding project, showing that the Bank was created with an offensive regional perspective. The foundational act of the banks describes the institution as a primary and essential of the new financial and regional architecture with the aim of financing the economic and social development. One of the reasons why we think this bank is important to mention is because the aim and philosophy of its creation was for avoiding the pattern of the traditional financial organizations led by US, and hence to attend economic development needs that remain blocked. The voting model is one country one vote and avoids the funding of the public sector, to put emphasis in the state production. The functioning organism of the bank is formed with the council of economics and finance and the council of administration, while the executive organ is the executive director. As Ugarteche (2017) holds, the Bank of the South was since its origin a bank with the aim of being the base of development and founding for the region, to advance with the concept of the stabilization fund and advance in the development of a regional monetary system.

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The technical and political problems around the development of a common unit of account, the disparity in the growth of trade, and the worsening in the levels of international reserves in the period post 2008 made the Bank of the South development stagnated because of the lack of financial resources or political willingness to finance the bank (Molinari & Patrucchi, 2020). Two episodes are worth noting: the political crisis extended in Venezuela after Hugo Chavez death affected the ALBA coordination, and so, the Bank of the South; and the lack of interest of Brazil in promoting a competitor to its own national development bank, the BNDES, as a strategy to expand its corporations through the regional policy space.

PETROCARIBE and the ALBA

Petrocaribe is an oil cooperation forum or better named a Hydrocarbon Agreement that involve 18 member states from the Caribbean region which are: Antigua and Barbuda, Belize, Cuba, The Dominican Republic, Guyana, Jamaica, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Suriname, Haiti, Nicaragua and Guatemala until 2013. It was founded in Venezuela in 2005. The main aim of the alliance was that Venezuela offered oil supplied based on a concessionary financial agreement but also to favor autonomy by counteracting the effects of global economic vicissitudes and by reducing signatories need to fall back on IFIs or extra-regional donors for support. In other words, it can be said that Petrocaribe and ALBA are regional initiatives with an offensive strategy in their heart. The Venezuela role in Petrocaribe is central because the entire initiative revolves around its provision of oil to the other participating states sailing oil below the market price or provide with reduced-price Venezuelan oil. Behind the foundational ideas of Petrocaribe is the goal of a post – hegemonic order (Riggirozzi and Tussie, 2012) or post liberal (Sanahuja, 2009) development in the region. ALBA, an organization that we already mentioned with the aim to promote economic cooperation its linked with Petrocaribe as part of the same objective and values. As mentioned before, the ALBA has different aspects and between the topics covered, the energetic integration of Petrocaribe (Petrosur, Petroandina, Petrocaribe and CITGO) dimeson is the most attractive one but is not the only one, there is an alternative framework for facilitating cooperative commercial agreements (the People's Trade Agreement), state multinational companies, and a virtual currency permitting intraregional trade without use of the US dollar (SUCRE). As Ugarteche (2017) holds, between the 2007 and the 2012, the two main attempts to create financial cooperation between the region where the UNASUR and the ALBA. The main objectives of these project were to accumulate international reserves to use them inside the region instead of investing them in bonds from the United States. The second objective was reducing the vulnerability of the interregional trade. ALBA, in other words, proposes an alternative to development project that embodies the principle of south-south cooperation and it was designed as a response to the US-backed Free Trade Area of the Americas. Commercial and financial measures have been at the heart of the ALBA. In 2004 agreement, the first substantive article promises the greatest possible exchange of goods and services whereas its first concrete provision applies a zero tariff to all imports into Cuba from Venezuela and its second exempt all bilateral investments from local taxes. The idea behind, is a more comprehensive economic integration. The first and more important aspect in terms of cooperation and finance of the ALBA was, as said before, Petrocaribe, which provide soft loans to energy-dependent Caribbean state by allowing them to finance as much as 70 per cent of the cost of oil imports from Venezuela. The second big area of the ALBA was the People's Trade Agreement to develop cooperative trade deals compatible with ALBA principles. The third was the concept of grand national companies that are state multinationals formed jointly by ALBA members to provide investment and competition in strategic sectors.

The ALBA governance consists of a high body of the presidential council, which directs initiatives and settles policy at summits convened at irregular intervals. At the same time, this is supported by social, economic and political councils governed by ministers in those areas, with the aforementioned Social Movements Council at the same high level of the organization's hierarchy. Last, the executive secretary is charged with the execution, coordination and monitoring of decisions from the councils. In contrast, The Petrocaribe governance is complex. The summit of energy ministers represents the higher level of governance with the support from a nominal executive secretariat. The management and monitoring of the agreement's application through the Caribbean require the creation of a subsidiary of PDVSA called PDV Caribe.

The Development Bank of Latin America (CAF)

The Development Bank of Latin America (CAF)[3] it's a bank created in 1970s by 19 countries[4]. 17 of the countries are Latin America and the Caribbean plus Spain and Portugal. The bank was founded by Ecuador, Bolivia, Colombia, Chile, Peru and Venezuela since the beginning and in the foundational charter it is expressed the willing of achieving the economic integration of their countries in order to accelerate

[3] CAF acronym refers to *Corporación Andina de Fomento*, as it was named the Bank until 2008.
[4] Members: Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad and Tobago, Uruguay and Venezuela

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the economic and social development of their people[5]. As expressed in the Article 3 of the agreement: *the purpose of the corporation is to promote sustainable development and regional integration, by providing multiple financial services to clients in the public and private sectors of its shareholders countries"*

The functions of the CAF to issue bonds, debentures and other obligations, the placement of which may be made inside or outside of the shareholder countries, to promote the raising and use of resources, the exercise of the functions to which this and the preceding literals refer, to promote capital and technology, to grant loans and bonds and to coordinate its actions with those of other national international entities to develop the shareholders countries. The way to achieve that goal is are to offer long term development financing.

Regarding capital, shares and shareholders, the authorized capital is 15 billion USD divided into ordinary capital shares and callable capital shares: the ordinary capital shares of a total of 10 billion USD, distributed in three series: A) B) and C)

a) Series "A" comprising fifteen registered shares for a value of 1,2 billion USD each for a global amount of 18 billion USD for subscripting by the Government of each Member Country or by public, semipublic or private institutions as the former may be designated.
b) Series "B" comprising 1,600,000 registered shares for a value of 5,000.00 USD each for a global amount of 8,000,000,000.00 for subscription by governments or public semi public or private entities of member countries
c) Series "C" comprising 396,400 registered shares for a value of 5,000.00 USD each for a global amount of 1,982,000.00 for subscription by a legal entities or natural persons from outside the Member countries.

The operational modalities of the CAF will provide services to its clients following four operational modalities or services:

1. Technical cooperation: a modality used to finance the contracting of specialized services in activities compatible with CAFs prioritized fields of action, with the goal of enabling, strengthening and generating value in its interventions and facilitating the transfer of knowledge. These operations may be reimbursable or non-reimbursable or based on contingent recover.
2. Loans: under the modalities CAF can offer loans for specific operations or credit lines to finance various operations. The Loans have the role for specific operations and investment projects associated with investment or another

[5] Established agreement: https://www.caf.com/media/3175/convenio-constitutivo-ingles-mar2020.pdf

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economic need or activity whose market or technical characteristics, economic, financial, environmental, institutional and other aspects relevant to the nature of the operation have already been formulated by the client. Loans can be short term (up to one year), medium-term (between two and five years) or long-term (more than five years)

3. Equity investments: This modality is for CAFs acquisition of pure risk capital, Quasi -Equity and other risk instruments, such as purchase and sale options, shares allotments guarantees, subordinated debt and other of a similar nature. CAF can make equity investments into public, mixed or private businesses, new or existing private financial institutions or vehicle that are or have the potential to be profitable and competitive at an international level, that carry reasonable risk or that promote human development
4. Guarantees: CAF can offer guarantees to support its client's payment obligations. The guarantees offered by the CAF will be governed by the principles of eligibility similar to those stipulated for loans operations.

The CAF took impetus during the rise of UNASUR and the boom of commodities because of the increase in the financing capital. The CAF appeared played the main and more successful bank in promoting financial regional cooperation, particularly during the 2008 financial crisis. The main goal in this case was to have a financial support where Latina Americas was in the decisioning making of the bank board (Humphrey, 2016).

Brazil National Bank Of Economic And Social Development (BNDES)

The Brazil National Bank of Economic and Social Development is a public bank created in 1952. The main goal of the bank is to fund projects to help develop Brazil internally as well as position the country externally. The BNDES is the most important long-term funding institution in terms of infrastructure funding's that have given financial support to Brazilian companies to expand internationally representing in 2015 a 11.2% of the GDP loans stood (Armijo, 2015). The bank counts with two main subsidiaries: FINAME and BNDESPAR. Together they conform the BNDES system. While FINAME use the financial resources two finance the sales exports operation in machines and production equipment produced in Brazil, as well as importing gods produced outside the country. As explained by Lazzarini et all (2015), the state-owned development banks are financial intermediaries that specialize providing long term credit to promote industrialization but that are controlled by national governments and

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generally have a mandate to support local business activity. As Armijo (2015) explains, the Bank by the end of 2014, held a total of 16% of Brazil´s 2.3 trillion USD GDP, where the 75% was loans to Brazilian firms to develop and expand.

The bank only allows to support Brazilian companies, but that doesn't mean the bank is not powerful enough. Doing comparative developmental finance, we can see that the BNDES is the second largest national development bank among emerging economies (Armijo, 2015).

During the 2000s, the BNDES played a role in the internationalization of Brazilian business, particularly its policy of promoting national champions, that is, specific firms judged able to compete with the largest transnationals in global markets. But the BNDES has also opened credit lines for foreign governments (Armijo, 2015) to acquire Brazilian goods and services, often from one or a handful of companies. But more importantly, the BNDES role for Brazilian government has being offensive because it has focus on South American integration and a leadership role. For example, the Foreign Direct Investment of Brazilian firms has focused on South America, especially Argentina and Venezuela (Armijo, 2015).

4.2 THE EMERGING POWER STRATEGY: CHANGES IN THE EXISTING INSTITUTIONS

Regarding the changes in the existing institutions, China has used his structural power to pursue structural reforms in the voting shares arrangement inside de IMF and the World Bank. So, the starting point to address the China's view of the liberal order is to understand the dissatisfaction with the distribution of power in these institutions. Since the 2000s China has changed gradually the behavior towards the international institutions. In other words, the rise of Brazil, China, India and other countries brought a questioning of the normative authority of the Washington based institutions trying to reform the voting structures to reflect new realities of the global distribution of power (Tussie, 2018; Breslin, 2018). The normative challenge or questioning can be defined as Güven (2017) describes as an operational one, that is, that emerging economies try to avoid the conditionality of IMF loans. Also, the new powers challenge and pressure these institutions intensifying the South- South cooperation and creating rival institutions. However, it is important to say, as Güven (2017) well describes that despite the resistance of major reforms, the IMF and the World Bank strive to defend their institutionalized supremacy in a dynamic international system through continuous internal adaptation. Such adaptation advances with paucity and remains partial.

The 2010 was an important year regarding the reforms in the IMF because of the beginning of the discussion of the reform in the quota and governance of the IMF. The reforms resulted from a negotiation between the IMF members to give more voting shares to the emerging market economies, but it was not applied until 2016. At this point, the governance of the IMF was way behind in the facto real distribution of power and timid change had resulted in a loss of credibility. As Alexander Wendt argued institutions may be designed for functional or instrumental purposes, but they are also designed with other goals in mind, such as universality of membership, the pursuit of shared ideals and normative commitments or the actual availability of ideas about institutional design (2001). What can be surmised is that, even if the United States resists some changes are inevitable because of the institutional interest itself.

To illustrate the under representation of the emerging powers we are going to take the variable called *IMF Governance Deficit* constructed by Broz, J, Zhang, Z. & Wang, G. (2020) to show the difference between a nation vote share in the IMF compared to the GDP share in dollars.

It is important to consider, however, that the IMF is still the world lender of last resort. Even if there has been critiques to the IMF policies of lending, the post-euro crisis period showed an increase in its lending to many regionally important economies of the south such as Afghanistan, Bangladesh and Pakistan in Asia, Angola, Egypt, Ghana and Kenya in Africa. This resurgence in lending has coincided with shifts in the lending framework. In 2009, the traditionally hard conditionalities were partially softened and since then little more attention to social spending has been given (Clegg, 2020). The mentioned reforms, still more rhetorical than practical (Kentikelenis et al, 2016) are a way to re-think the role the Fund in the developing countries. Its tarnished credibility due to the failure of the policies applied created the necessity to change the main conditionalities attached to a loan. One of the key innovations is the replacement of the Poverty Reduction Strategy Paper with an Economic Development Document, which allows borrowers to comply with fewer requirements when it comes to apply for a loan. The IMF was determined to remain a major player in the South, therefore it had to reposition itself by modifying its operational practice (Nemiña y Larralde, 2020).

In conclusion, with the context of a multiplex world, the IMF and the World Bank face severe challenges to their authority and viability, but they use different mechanisms to navigate the challenges and defend their hegemony in the institutional financial world as new creditor emerge that can undermine or contest such supremacy.

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5. THE EUROPEAN UNION IN THE MUTLIPLEX WORLD ORDER

The way the European Union navigates in the multiplex world order is far from linear. Being part of the transatlantic world and related to the classical hegemonic block of the west with the United States, the way to connect to new regions and institutions has been pragmatic. Besides the pressure that USA has put on the EU leaders, the EU leaders have taken some clear strategies toward China. For example, the decision of joining the AIIB even if having pressure from Washington is a clear example of these pragmatism that we mention. The key question in sum is how the EU gets along with the emerging markets when it has been historically being an ally of the U.S. First, is important to understand the DNA of the EU. As explained by Smith (2014) the EU is a post-modern international actor that is based on values that are committed to pursue multilateralism when it comes to relate with other countries and that applies it to all the fields. This position described has been marked specially in the pos- euro zone crises that required the EU to multilateralism even more their relations with the emerging powers. The consequences of the crises and the international pressure imposed by the multilateralization of the credit, with the new developmental finance maid the EU had a necessity to expand their horizons besides the traditional western block. That is the reason why it has been integrated to the AIIB, however, it is true that the EU is steel skeptical from some emerging economies behaviors, especially regarding climate change, making the cooperation between the EU and China limited. The future of the way the EU will adapt to the new financial cooperation it's not clear, but what it's interesting to think about is how, because of the multilateralism as part of the central values, the possibility of cooperating, is possible, especially when new institutions of the financial governance respect some values of the liberal order, as the AIIB does.

Europe was part of the American led liberal order during the Cold War. After the Cold war ended, the building of the EC countries was the integration that latter established the European Union. The EU transformed the nation state system into a regional bloc with strong supranational features.

Besides the United States, the EU and China are the main players in the global financial governance regime so cooperation between the two of them is a reasonable possibility. In the immediate post - Cold War era, Chinese foreign policy adopted a defensive low profile posture. China was not trying to confront western rules at the beginning, concentrating its efforts to reform and develop internally. Previous to the Global Financial Crises, the position in terms of financial regulation between the EU and China were different, however, the changes in the financial governance made them to be closer. In 2000, the "comprehensive partnership" in where the EU started a

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program to assist China in restructuring the financial sector resulted in a cooperation project where the aim was to help China to modernize the private financial sector. In 2005, the China-Economic and Financial Dialogue, was launched with the objective of discussing the visions of each in the financial system. After the Global Financial Crises, the European Commission launched the Trade Dialogue where there were discussions around financial matters and financial governance, so in 2010 decade financial collaboration deepened. First, China made several sovereign bond issuances in London capital markets, including bonds governed by English law but denominated in RMB; second, as it was explained above, the participation of several European countries in the AIIB as founding members, in spite US reservations.

As Chen (2016) marked, there are three ways in which the EU and China could collaborate to have influence in the building of the multiplex world order. First, in crises management, as pointed out, European countries took a more demanding military role while China assumed the task of peacekeeping, showing some collaboration in a security arena.

More importantly, two developments have expanded the cooperation between China and the EU. First, the return of the developmental agenda in Europe and the move beyond developmentalism in China. In the case of Europe, the euro crisis brought questions about the models of development in countries like Greece, while in China, the climate change also raised as a question thanks to European Union pressure in multinational institutions. Second, the development of a new pragmatism towards China from Europe. Facing internal problems, the EU sought to find new ways and solutions to its internal problems. As Chen (2016) said, the EU is becoming more pragmatic in its drive to transform the rest of the world and its relations with China.

6. CONCLUSIONS

The analysis done in this paper shows us that governance transitions are complex and that are determined by the actions taken by the emerging powers but also by the reactions taken by the hegemons. The consequences of the global financial crisis opened a window of opportunity to the emerging powers to challenge more directly in a more offensive way the governance institutions existing. As a result, we can see that the financial crisis but also the inability of the liberal order to adapt to a changing reality allows fertile ground for the promotion of an alternative global governance architecture that in some cases challenge the preexisting Bretton Woods institutions, in some instances it cooperates with them and, in some others, it merely

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coexists. What we have tried to show is that there are different types of emerging powers relationship to the liberal order, depending on the policy area.

We have analyzed the financial statecraft of the emerging powers, and we have seen an increase in the offensive strategies with time. Even if there is an upsurge of new multilateral banks because of the multiplex world order, the existing institutions of Bretton Woods, especially the IMF still plays the role of lender of last resort. Yet as a consequence of the challenges that is has faced, the rules of conditionality have been modified.

In other words, in terms of developmental finance, there has been an increase in actors that compete and cooperate with the world bank, while in the liquidity finance, the IMF is steel the dominant organism, but the China´s swap arrangement is creating an open question if offensive behavior of financial statecraft. The questions that raised where: do the current signs of competition and even bifurcation represent a transformation of the world order, or if the transformation represents changes within an order. Does China represent a transformation within the order or does China represent a challenge to the order? Is it an indication of an illiberal revisionist power? As we have shown the full picture is in the making and depends very much on how the incumbents react. We have shown that the answer is not radical. There are initiatives and policy spaces in where China is fighting for radical changes but policy spaces where China tries to adapt to the liberal rules. At the same time, in the global south, the financial statecraft tried to be offensive especially during the years of the pink wave of Latin America where the creation of alternative banks with the aim of being post-hegemonic and independent from the United States stagnated after 2010 especially. Last, the BRICS work also as an alternative of the current financial order both in developmental and liquidity finance, however, as already mentioned, the liquidity arrangement of the CRA has not been used before, showing that even if states have the agreements, they steel prefer and relay more on the IMF and the United States.

Last, we have shown how China in particular and the emerging powers in general have turn from having a defensive strategy to a more offensive one in terms of financial statecraft. At the same time, the strategies in terms of expansion changes from being mostly bilateral to more regional and systemic one.

The recent Covid-19 health crises had, so far, a strong effect on global financial markets and economic activity. The consequences and impacts of this sanitary crisis are still to be seen, even if countries already suffer some of them, for instance growing capital volatility and uncertainty. At the same time, given the limitations that Trump's

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administrations established to multilateral cooperation, responses prioritize regional reach, showing a continuity of the process described by Acharya as the multiplex order.

In sum, we still have questions to answer and in a period of transitional order is difficult to know what path is going to come, but what we can certainly say is that new financial actors, and the change in the balance of power are creating confrontation, cooperation and coexistence between the emerging powers and the western world.

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ANNEX

AIIB REGIONAL MEMBERS

Member	Total Subscription (amount million USD)	Voting Power (Percentage of total)	Number of votes
Afghanistan	86.6	0.0895%	2,170
Australia	3,691.2	3.4725%	39,162
Azerbaijan	254.1	0.4248%	4,791
Bahrain	103.6	0.2382%	2,686
Bangladesh	660.5	0.7852%	8,855
Brunei Darussalam	52.4	0.2460%	2,774
Cambodia	62.3	0.2548%	2,873
China	29,780.4	26.6061%	300,054
Cook Islands	0.5	0.1468%	1,655
Cyprus	20.0	0.1640%	1,850
Fiji	12.5	0.1574%	1,775
Georgia	53.9	0.2473%	2,789
Hong Kong, China	765.1	0.8247%	9,301
India	8,367.3	7.6189%	85,923
Indonesia	3,360.7	3.1795%	35,857
Iran	1,580.8	1.0406%	11,735
Israel	749.9	0.8645%	9,749
Jordan	119.2	0.3052%	3,442
Kazakhstan	729.3	0.8462%	9,543
Korea	3,738.7	3.5147%	39,637
Kyrgyz Republic	26.8	0.2209%	2,491
Lao PDR	43.0	0.2376%	2,680
Malaysia	109.5	0.2966%	3,345
Maldives	7.2	0.2059%	2,322
Mongolia	41.1	0.2360%	2,661
Myanmar	264.5	0.4340%	4,895
Nepal	80.9	0.2712%	3,059
New Zealand	461.5	0.6087%	6,865
Oman	259.2	0.4293%	4,842
Pakistan	1,034.1	1.085%	12,237
Philippines	979.1	1.0677%	12,041
Qatar	604.4	0.7354%	8,294
Russia	6,536.2	5.9952%	67,612
Samoa	2.1	0.1482%	1,671
Saudi Arabia	2,544.6	2.4558%	27,696
Singapore	250.0	0.4212%	4,750
Sri Lanka	269.0	0.4380%	4,940
Tajikistan	30.9	0.2269%	2,559
Thailand	1,427.5	1.4653%	16,525

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Timor-Leste	16.0	0.1605%	1,810
Turkey	2,609.9	2.5137%	28,349
United Arab Emirates	1,185.7	1.2509%	14,107
Uzbekistan	219.8	0.3944%	4,448
Vanuatu	0.5	0.1468%	1,655
Vietnam	663.3	0.7877%	8,883

Data source: AIIB (https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html)

AIIB NON-REGIONAL MEMBERS

Members	Total Subscription (amount million USD)	Voting Power (Percentage of total)	Number of votes
Algeria	5.0	0.1507%	1,700
Austria	500.8	0.6436%	7,258
Belarus	64.1	0.2031%	2,291
Belgium	284.6	0.3987%	284.6
Benin	5.0	0.1507%	1,700
Canada	995.4	1.0289%	11,604
Cote d'Ivoire	5.0	0.1507%	1,700
Denmark	369.5	0.5271%	5,945
Ecuador	5.0	0.1507%	1,700
Egypt	650.5	0.7763%	8,755
Ethiopia	45.8	0.1788%	2,016
Finland	310.3	0.4747%	5,353
France	3,375.6	3.1927%	36,006
Germany	4,484.2	4.1757%	47,092
Ghana	5.0	0.1507%	1,700
Greece	10.0	0.1552%	1,750
Guinea	5.0	0.1507%	1,700
Hungary	100.0	0.2350%	2,650
Iceland	17.6	0.2151%	2,426
Ireland	131.3	0.2627%	2,963
Italy	2,571.8	2.4799%	27,968
Luxembourg	69.7	0.2613%	2,947
Madagascar	5.0	0.1507%	1,700
Malta	13.6	0.2116%	2,386
Netherlands	1,031.3	1.1140%	12,563
Norway	550.6	0.6877%	7,756
Poland	831.8	0.9371%	10,568
Portugal	65.0	0.2571%	2,900
Romania	153.0	0.2820%	3,180
Rwanda	5.0	0.1507%	1,700
Serbia	5.0	0.1507%	1,700
Spain	1,761.5	1.7614%	19,865
Sudan	59.0	0.1781%	2,008

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Sweden	630.0	0.7581%	8,550
Switzerland	706.4	0.8259%	9,314
United Kingdom	3,054.7	2.9081%	32,797
Uruguay	5.0	0.1507%	1,700

Data source: AIIB (https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html)

TOTAL

Members	Total subscription (Amount million USD)	Voting Power (Percentage of total)
Regional	73,855.8	73.3626%
Non-Regional	22,888.1	26.6374%

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