

CHAPTER I

INTRODUCTION

1. Background

Global Governance International is defined as “the exercise of authority across national borders, as well as agreed-upon norms and standards beyond the nation state, both of which are justified in terms of common goods or transnational challenges” (Michael, 2018). GGI is a major component of today's world politics. GGIs can be intergovernmental such as the World Trade Organization and the World Bank, or non-governmental such as the Forest Stewardship Council and the Internet Corporation for Assigned Names and Numbers. Some GGIs, such as the European Union and regional development banks, have a truly global scope, while others, such as the European Union and regional development banks, have a regional concentration. As these institutions gain more power, their methods and performance are more frequently assessed using normative criteria and critiqued as a result of these assessments (Uhlin, 2019). Such critical normative analyses of GGIs may call into question the institutions' legitimacy. GGIs must be recognized as legitimate, at least among powerful actors, if not the whole public, in order to work properly. As a result, critics and questions arise that GGIs must work hard to improve their credibility in the eyes of various audiences. They engage in self-legitimation processes (Gronau, 2016).

The intricate interaction of delegitimizing and legitimation, referred to as legitimacy battles, is an important component of contemporary global government, according to this thesis. GGIs, their member nations, and

maybe other state, and nonstate actors are all attempting to make the GGI appear more genuine. They make remarks, propose institutional reforms, and engage in other activities with the goal of positively influencing diverse audiences' legitimacy ideas about the GGI. Meanwhile, other GGIs, states, and nonstate actors engage in activities that may have a negative impact on legitimate ideas about the GGI (Bäckstrand, 2018).

Between (self-)legitimizers and delegitimizers, there is frequently a battle (Gronau, 2016) and Protests against GGIs are seen as attempts at delegitimization (Gregoratti, 2018). However, the relationship between legitimation and delegitimizing has rarely been studied systemically (Anderl, 2017). A GGI in the process of establishing itself is likely to suffer unique legitimacy challenges. There are three general difficulties to legitimation, according to Suchman (1995): obtaining, retaining, and mending legitimacy. Unlike most past research on (de)legitimation in global governance, which has concentrated on how GGIs maintain legitimacy or strive to restore their legitimacy following a legitimacy crisis, this study focuses on the problem of attaining legitimacy during the creation of a new GGI (Uhlen, 2019).

Therefore, the presence of the GGI is an alternative to influence regionally and globally depending on the system and also the regional domain of the GGI, therefore China with the thought of controlling the global market and spreading power has established a GGI which is named the Asian Infrastructure Investment Bank. Before author introduces the AIIB, it is started with China's efforts to dominate the global market.

China is undergoing a rapid economic transformation, which makes it a rich and powerful country and can become The New Rival of United States of America, with a total population of around 1.3 billion, it encourages China to become one of the Asian countries which is the center of the world economy. Countries are eyeing China's rapid economic growth, which has attracted them to carry out bilateral and multilateral relations with China and make China the new axis of global economic power.

In facing the current world economic changes, China has its own strategy to regulate its economic turnover system. As for some of the strategies adopted by China, as written in Joshua Cooper Ramo's hypothesis with the title The Beijing Consensus. There are three strategies adopted by China: First, terms of China's state development must be based on innovation. Second, economic success is not only based on the standard of gross domestic product (GDP) per capita income, but also on its sustainability and quality. Third, self-determination for China itself (Ramo, 2004). Based on these strategic elements, the Chinese Government carries out world economic activities based on two interests, namely encouraging the acceleration of economic growth and providing limited space for political freedom for the sake of government stability (Cindy Rezma Fanny, 2019).

On 2 October, 2013, the Chinese Government inaugurated the birth of an international financial institution, namely the Asian Infrastructure Investment Bank (AIIB). AIIB itself is a Multilateral Development Bank (MDB) which is based on modern knowledge and focuses on infrastructure development and productive sectors in the Asian region. Although this bank

is named an Asian bank, its members are opened to loyal countries in the world. Currently, AIIB has members in 93 countries in the world. The existence of AIIB is one of the complements in financing infrastructure development for member countries in various regions.

AIIB exists as a form of competition with the International Monetary Fund and World Bank which are considered too conservative and dominated by the United States, Europe, and Japan. The Chinese government announced that the AIIB was formed as an expression of the Chinese government's frustration with the slow pace of global economic reform and governance (Debora, 2020).

2. Research Question

Based on the introduction above, the author is going to analyze about; how does China's Government use AIIB as instrument to expand its power?

3. Theoretical Framework

To understand academic problems, in this study the author uses Dependency Theory by Theotonio Dos Santo.

Dependency Theory;

Dependency according to Dos Santo is a world economic structure that benefits some countries and harms others. Santos explained Furthermore, dependence is a form of state economic power used to dominate other countries, Santos quoted by Ferraro (Ferraro, 1996). There are at least three general definitions used to understand dependency theory. First, it consists of characterizing the international system which consists of two states

depicted in the relationship between the dominant state and the peripheral state. Second, a single external force is important for state-dependent economic activity. Third, the basic definition characterizes the interaction between dominant and dependent states that can strengthen but also reflect an unequal pattern (Ferraro, 1996).

To simplify it this theory, it is necessary to acknowledge the most basic assumption of this theory is that there is an interaction between a powerful/capital state or an independent state with a non-capital state or a dependent state (Santos, 1970). On this research, dependency theory is going to use as a tool to analyze and explain how China power expansion through AIIB which become instrument that others states depend on.

4. Argumentation of Research

Based on the dependency theory by Dos Santos which has explained above, the author assumes strongly that Asian Infrastructure Investment Bank is only an instrument which used by China Government as Global Government Institution which has legitimation to create dependency others states on China which as initiator to establish AIIB and as the states which leads this institution. The aim of China is to expand its power in order to challenge Bretton Wood Institutions such as World Bank and International Monetary Fund which China mentioned clearly that those are very America center and this is a part of its strategy to stop United States of America' power expansion.

5. Methods of Research

i. Method of Data Research;

The author in collecting data and explaining this case will use a qualitative method based on data obtained through library research. Through this method, the data collected is valid data obtained through print media such as books, journals, magazines, newspapers, and electronic resources, all of which can be used to support this research process.

ii. Method of Data Analyses;

The author to analyze the data used in this paper used the correlation analysis technique because the level of the unit of explanation and the unit of analysis is the same, which is oriented to data collection and data analysis that forms generalizations as to the final result of this study.

6. Limitation of Research

The author in compiling this paper provides research limitations on China's efforts to build the Asian Infrastructure Investment Bank as an axis of resistance and challenge to the Britten Wood Institution and also stems from the movement of the United States' power spread, as well as China's motivation for power.

7. The Aims of Research

1. Analyzing the aims and motivation of China government in establishing Asian Infrastructure Investment Bank.

2. Identifying the Chinas strategies in expansion it's power.

8. The Systematic of Authorship

Chapter I is an introductory chapter that contains the background, research questions, theoretical framework, argumentation of research, method of research, limitations of research, aims of research, and systematic of authorship.

Chapter II explains about; *The Raised of China Trough Asian Infrastructure Investment Bank*, which consists of four explanations such as; AIIB order History, AIIB financial system, AIIB system for project in countries need and the rise of China.

Chapter III analyzes about; *The Targets of China on Asian Infrastructure Investment Bank*, that consists China's interest in AIIB and Project of one Belt, one road initiative and relevance with AIIB. The dependence on China trough AIIB, AIIB as form of China leadership in regional, China as a competitor of The United Stated of America, and China hegemony.

Chapter IV is conclusion of this research.