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China's emergence as an economic superpower in the new global economic governance

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Abstract

The article explains China's rise as an economic power using geoeconomics and institutional change, arguing that Beijing is reshaping rather than rejecting globalization. It traces policy evolution from Going Global 1.0 to the Belt and Road Initiative, which combines ports, rail, and energy projects with “soft” tools—trade deals, finance mechanisms, and regulatory coordination. Since 2013, membership has expanded, agreements have grown larger, and projects cluster unevenly, especially in Africa and Central Asia. The BRI and the AIIB coexist and compete with other international institutions, influencing global economic governance.

Λέξεις κλειδιά: China, BRI, global economic governance, geoeconomics

Η άνοδος της Κίνας ως οικονομικής υπερδύναμης στο νέο σύστημα παγκόσμιας οικονομικής διακυβέρνησης

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Περίληψη

Το άρθρο αναλύει την άνοδο της Κίνας ως οικονομικής δύναμης μέσα από τη γεωοικονομία και τη θεσμική αναδιαμόρφωση, υποστηρίζοντας ότι το Πεκίνο επανασχεδιάζει και δεν απορρίπτει την παγκοσμιοποίηση. Αποτυπώνει την εξέλιξη της πολιτικής από το Going Global 1.0 έως την Πρωτοβουλία «Ζώνη και Δρόμος» (BRI), η οποία συνδυάζει έργα σε λιμάνια, σιδηροδρόμους και ενέργεια με «ήπια» εργαλεία — εμπορικές συμφωνίες, χρηματοδοτικούς μηχανισμούς και κανονιστικό συντονισμό. Από το 2013, η συμμετοχή χωρών στο εγχείρημα έχει διευρυνθεί, οι συμφωνίες έχουν αυξηθεί ενώ παρατηρείται μια άνιση κατανομή των επενδύσεων και των κατασκευαστικών έργων τα οποία συγκεντρώνονται κυρίως στην Αφρική και την Κεντρική Ασία. Η BRI και η Ασιατική Τράπεζα Επενδύσεων σε Υποδομές (AIIB) συνυπάρχουν και ανταγωνίζονται άλλους διεθνείς θεσμούς, επηρεάζοντας τη διαμόρφωση της παγκόσμιας οικονομικής διακυβέρνησης.

Keywords: Κίνα, BRI, παγκόσμια οικονομική διακυβέρνηση, γεωοικονομία



1. Introduction

The 1970s were a turning point in China's political history and broader development. After almost four decades, China's political leadership changed, and with it the economic policy it followed. Unlike the Soviet model, which from the founding of the Soviet Union until its fall remained faithful to the basic principles of state interventionism and a centrally planned economy, China followed a different course. From a closed and centrally planned economy, China moved towards market-oriented principles. The opening up of the Chinese economy did not happen overnight but, on the contrary, was a long-term process that began in 1978 (open door policy) and continues to this day. The main purpose of the new policy adopted was to change China's status of international isolation and integrate Chinese businesses into global markets.

The Belt and Road Initiative (BRI) initiative is not based on the creation of a single construction project or the conclusion of a trade agreement with a specific state but includes a multitude of trade-facilitating infrastructure projects and many cooperation agreements at the global level. The main pillars that make up the BRI are three: the Silk Road Economic Belt (land routes), the Maritime Silk Road (with an emphasis on sea routes), and the platform that includes e-commerce (Sarker et al., 2018). As Blanchard and Flint (2017) rightly point out, the combination of the three dynamics of the BRI is an attempt to change the way global trade operates.

The main political objective behind the initiative is to promote the Chinese development model based on the creation of an extensive trade network in which China holds a prominent position. By 2016, when the BRI was in its first phase of implementation, companies representing Chinese interests, many of which had the Chinese state as a major shareholder, had managed to sign over 8,000 contracts with 61 participating states of the project, while China's trade with BRI countries reached USD 953 billion (25.7% of China's total trade) (Sarker et al., 2018). A decade later, the situation seems to have changed significantly, with the project gaining strong momentum. In the first half of 2025, Chinese companies signed new construction contracts worth USD 66.2 billion and committed to further investments of USD 57.1 billion in other sectors (Nedopil, 2025b). It is estimated that since 2013, when the Chinese side officially set the operational framework for the initiative, over USD 1.3 trillion has been allocated to BRI-related construction projects (Nedopil, 2025a). From this perspective, it becomes clearer why cross-border regional cooperation has become a strategy of vital national importance for China.

The next sections explore how the BRI and the governance mechanisms behind the initiative interact with the changing dynamics of global power. The paper examines how the way BRI is designed and implemented determines the uniqueness of the initiative. The article's aim is to clarify the strategic rationale behind it and to assess how the initiative is intended to support a broader global trade platform.

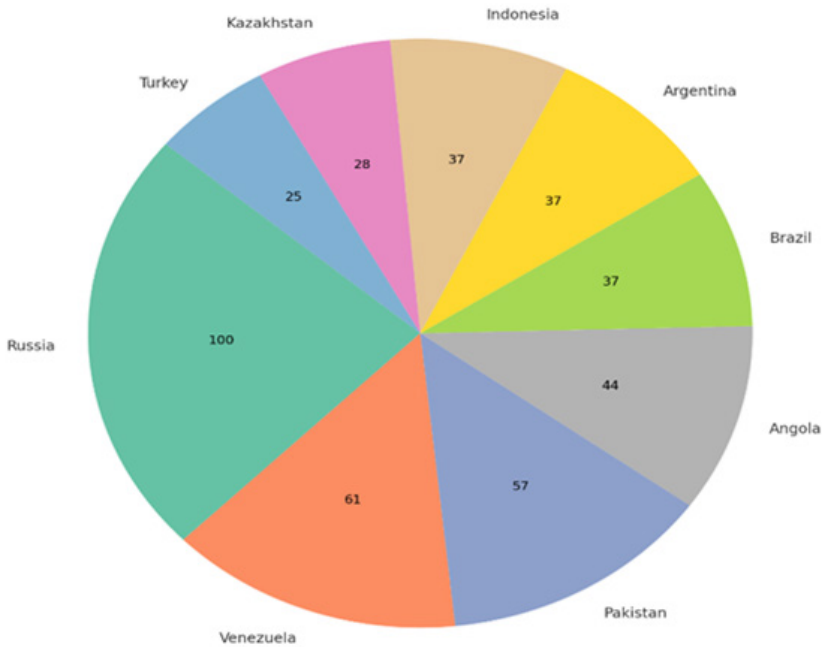
2. Transforming Global Economic Governance through the Belt and Road Initiative

The Chinese government's official rhetoric on the BRI emphasizes that the primary goals of the initiative are to promote global development and enhance regional cooperation. The initiative should not be perceived as an aggressive policy measure aimed at displacing traditional economic and trade powers, but as a new perspective that complements the existing international trading system. In contrast to the low-key approach that dominated Chinese policy until 2010, the country's current leadership is pursuing a more dynamic and outward-looking approach (Zeng, 2019). According to this perspective, the BRI (potentially) meets the goals of the new Chinese policy.

After Trump was elected as the 45th president of the United States in 2016, the country started to progressively lessen its dominant role in determining the global economic order. Starting in 2018, President Trump actively assailed the WTO, arguing that China enjoys rights that allow it to trade on preferential terms. The situation was exacerbated further in December 2019, when the United States prevented the nomination of new members to the WTO Appellate Body, creating paralysis in the system responsible for addressing potential or already existing trade disputes between states. In this light, Nordin and Weissmann (2018) argue that the BRI is designed to capitalize on the strategic vacuum created by the "America First" agenda, positioning China to play a decisive role in the emerging system of global economic governance.

Most developing countries in Asia and Africa face infrastructure deficits that in many cases are a matter of considerable national concern (irrigation projects, railway networks, etc.). However, in most situations, they either do not have the financial capacity to fund them domestically or do not meet the necessary fiscal sustainability criteria to proceed with external borrowing. Gaudel et al. (2024) estimated that developing economies need an additional 1–1.5 trillion US dollars per year to fulfil basic infrastructure needs. More recent data from the World Bank support this assessment and underscore the magnitude of the problem, revealing that emerging economies need to invest around 4.5% of their annual GDP to overcome the infrastructure deficit (World Bank, 2025a). In this context, Chinese Official Development Assistance (ODA), combined with direct BRI project financing, functions as a mechanism for reducing the infrastructure gap. It essentially fills the gap that Western economic actors are often unable or unwilling to fill. Figure 1 below illustrates the top recipients of Chinese ODA from 2012 to 2021.

Figure 1: Top Recipients of Chinese ODA (Billion USD) 2012-2021



Source: Authors' own composition based on data from Aid Data (2025)

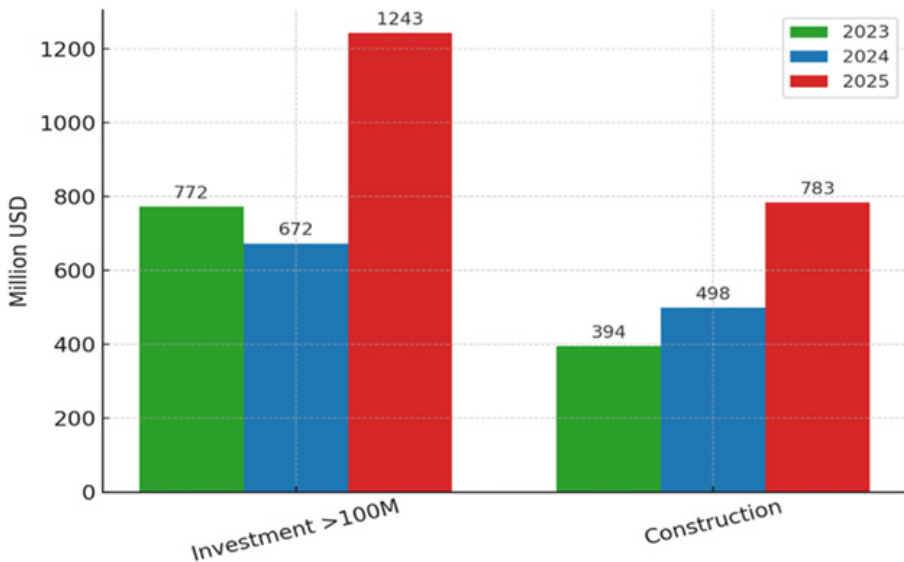
Surugiu and Surugiu (2015) describe economic globalization as the deepening interdependence of national economies through the free movement of commodities, services, capital, and people. Based on this approach, numerous scholars view the BRI as a policy aimed at promoting the Chinese version of globalization rather than a straightforward economic endeavor (Du, 2016; Tat et al., 2018). According to Tat et al. (2018), the initiative represents a new paradigm of globalization focused on Asia that functions in tandem with traditional Western-centric financial institutions, sometimes even competing with them.

Thus, amid the promotion of an Asia-centric model of globalization embodied by the BRI and supported by institutions such as the Asian Infrastructure Investment Bank (AIIB), it is useful to recall that the post-Cold War global economic architecture was initially constructed around Western-led institutions. Although there is some debate in the international literature about the extent of US influence in the current international system, there is broad acceptance of the view that the so-called Bretton Woods Institutions – and in particular the World Bank and the International Monetary Fund – were designed to entrench Western economic interests (Latham, 1997; Beeson and Xu, 2019). For this very reason, globalization is often mistakenly perceived as Westernization, which, according to Bozkurt (2012), is a process in which societies adopt the norms and social conventions of Western culture.

Recognizing that the global trade and economic framework is changing, Chinese economic and monetary policymakers initiated the creation of the Asian Infrastructure Investment Bank (AIIB). The main purpose of this decision was to establish a new financial institution that would serve as an important source of financing for both projects directly related to the initiative and, more broadly, for infrastructure projects in the Asian region. Thus, as the AIIB intends to operate as an alternative and complement to the established institutions led by the West, securing the necessary funds for the operation of the bank has become a national priority. After five rounds of negotiations, representatives of fifty countries signed the AIIB Statute on June 29, 2015, in Beijing. Since then, the bank's influence has expanded significantly: by 2024, its accepted members had reached 110 countries, and its authorized capital amounted to 100 billion US dollars. In 2024 alone, to better understand its influence, more than 50 projects related to the energy, transport, and digital infrastructure sectors were financed by the AIIB (AIIB, 2024a, 2024b).

The establishment of the AIIB illustrates this strategy, serving as a key financial partner for BRI projects. Preliminary figures indicate that Chinese engagement across the 150 countries participating in the BRI reached unprecedented levels in the first half of 2025. As Figure 2 shows, deal sizes have likewise climbed to historic highs. For investments, the average deal size rose from USD 672 million in 2024 to approximately USD 1.243 billion in 2025, while in the construction sector, the average deal size increased from about USD 498 million in 2024 to roughly USD 783 million in 2025 (Nedopil, 2024, 2025a).

Figure 2: Average Deal Size for Chinese BRI Investments and Construction, 2023-2025

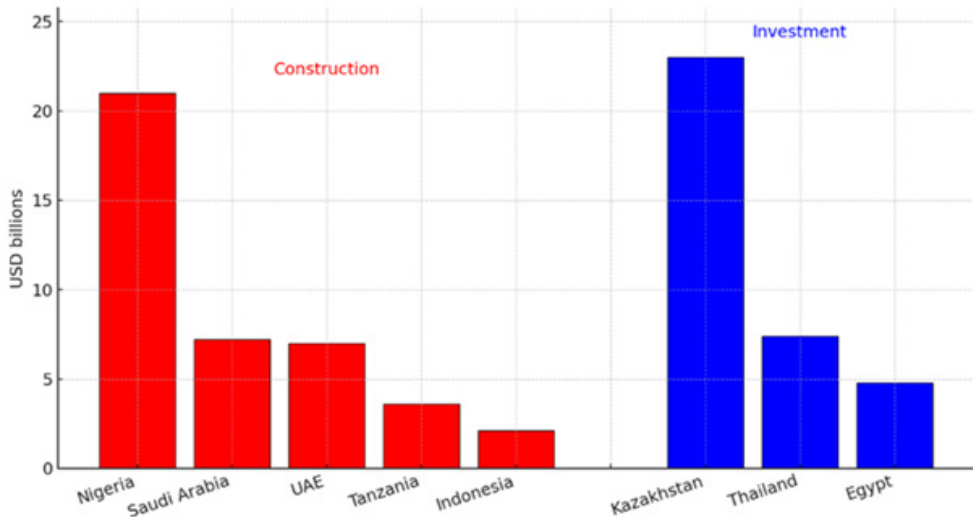


Source: Authors' own composition, based on data from Nedopil (2024; 2025a)

The distribution of BRI activity in the first half of 2025 showed significant regional heterogeneity. The allocation of financial resources to the construction sector fell in some locations compared to the same period in 2024 but climbed considerably elsewhere. Africa saw the greatest increase, with construction contracts rising from approximately USD 6.1 billion in the first half of 2024 to almost USD 30.5 billion in the first half of 2025 (Nedopil, 2025b). Investment flows also changed. Although Southeast Asia and Latin America received less investment, most other regions experienced an increase. Europe leads in relative terms, with a 2,145% increase. Overall, Central Asia received the most Chinese investment in absolute terms, followed by Southeast Asia (Nedopil, 2025b).

Over the same period, Nigeria recorded the most significant activity in infrastructure projects, followed by Saudi Arabia, the United Arab Emirates, Tanzania, and Indonesia. Investment was dominated by Central Asia, with Kazakhstan as the main recipient, and Thailand and Egypt also witnessed increases. Despite this expansion, several countries experienced a complete standstill in activity compared to 2024, while the China-Pakistan Economic Corridor continued its ongoing decline. Figure 3 illustrates China's highest BRI engagement in 2025 (H1).

Figure 3: Countries that absorb the most financial resources – Construction vs Investment (H1 2025)



Source: Authors' own composition, based on data from Nedopil (2025b)

From an economic and political standpoint, the free-market principles that have historically structured mainstream capitalist theory have contributed (at least to some extent) to the creation of regulations and practices that do not serve the interests of developing economies (Sen, 2002). In response, China recognized the power gap that had been created and encouraged nations to participate in a new model of economic governance. This is precisely the policy expressed by both the BRI and the AIIB, which are China's key investment mechanisms. As Rolland (2017) observes, the initiative reflects China's broader ambition to politically capitalize on the fact that it can finance investments in the initiative's participating countries. Through this, it is highlighted that transnational cooperation is a key national strategy and that the BRI and the AIIB function as key pillars of the outward-looking Chinese economic policy.

The term regional cooperation should be clearly distinguished from regional integration. Acharya (2012) argues that regional integration means transferring part of the decision-making process to a supranational entity. The European Union is a prominent example of economic integration, as member states have delegated economic policymaking to institutions such as the European Central Bank and the European Commission. Regional cooperation, in contrast, is based on agreements between sovereign states without requiring the transfer of national decision-making power.

The dividing line between regional cooperation and regional integration is becoming increasingly blurred in today's world. Although the establishment and relatively smooth functioning of the European Union have contributed significantly to regional cooperation taking on integration characteristics (at least in the monetary domain), the dynamics seem to be changing. Cooperation agreements between states and international organizations, such as the Asian Infrastructure Investment Bank and the International Monetary Fund (IMF), have emerged as important pillars of modern regionalism (Demir, 2018). Following this logic, many academics argue that, under the framework of regional cooperation, China is creating conditions for regional integration.

3. American Strategy and the Balance of Power in the Indo-Pacific

Since the early 1980s and more intensely since the 1990s, the Asian region witnessed rapid economic growth. In particular, in countries such as South Korea and Singapore, a significant increase in industrial activity and financial relations was recorded, which translated into an increase in per capita GDP and a general improvement in the overall standard of living. However, this growth appeared to be fragile and had bubble characteristics. In 1997, a serious economic shock that began in Thailand and spread throughout East and Southeast Asia (Indonesia,

South Korea, Malaysia, and the Philippines) contributed to the Asian Financial Crisis. The crisis was triggered by the collapse of the Thai currency (baht), which was due to the country's excessive (unsustainable) external borrowing, exacerbated by external speculative attacks. The turmoil did not last long, and, unlike the European debt crisis, economic stability was restored relatively quickly, without the need to implement exhaustive fiscal adjustment and austerity measures. It was in this environment, where the foundations had already been laid, that China turned its attention as early as the early 2000s.

In response to China's growing economic and geopolitical influence in the region, the United States, under the Obama administration, adopted the "pivot to Asia," with US foreign policy changing significantly. The core orientation of the US, which had been focused on Central Europe and the Middle East, changed direction and shifted towards the Asian region. Essentially, this fact constitutes an implicit recognition by US foreign policy that China is a major potential competitor (Demir, 2018). Following the new principles that now govern its foreign policy, in 2016, the US continued to advance the Trans-Pacific Partnership (TPP), a new trade framework with the main aim of concluding trade agreements with countries such as Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The deal, which aimed to strengthen global trade flows and facilitate international trade by removing a large number of tariffs, was largely viewed by Washington as a counterweight to China's expanding influence.

As Du (2016) and Demir (2018) point out, the TPP represented an attempt by the Obama administration to address China's growing influence, both geopolitically and geoeconomically. In addition to strengthening trade relations between the countries, the agreement aimed to create a new autonomous trade framework that would, in the future, limit the potential of the economic networks that China has created. Allison (2019) describes US-China relations as a form of interstate competition within a rapidly evolving international system. From a system with a unipolar structure and the US occupying a prominent position, the world moves to a multipolar system where China claims a new, elevated position. In practice, two superpowers representing opposing political systems compete for global influence and power.

In this context, Du (2016) interprets the BRI as part of a broader competition for global leadership, perceiving the TPP and the BRI as proxies of a geo-economic competition. However, after the 2016 presidential election, American policy changed direction as Donald Trump, wanting to differentiate his presidency from his predecessor, emphasized bilateral trade balances and national security and focused less on concluding global trade agreements. As a result, the TPP was abandoned after Trump took office in January 2017, when the United States formally withdrew from the agreement.

Trump soon realized that the geo-economic balance was shifting significantly towards China. Following this logical framework, the US government subsequently built on Japan's "Free and Open Indo-Pacific" vision—associated with

Prime Minister Shinzo Abe—and advanced it as a new strategic framework, the Free and Open Indo-Pacific (FOIP) (Hosoya, 2019). While FOIP provides the strategic umbrella, the Indo-Pacific Economic Framework for Prosperity (IPEF) has increasingly worked as its economic pillar—more about rules, standards, and supply-chain resilience than about tariffs (rather than a tariff-cutting framework). IPEF was launched by the United States with Indo-Pacific partners in May 2022, but it is not a traditional free trade agreement like the TPP, since it does not include market access or tariff cuts.

Asian states often avoid choosing “either China or the US.” On the contrary, many try—and to a large extent have managed—to maintain a delicate balance: they welcome Chinese funds and infrastructure projects through the BRI, while also engaging in FOIP-aligned cooperation and security arrangements. More specifically, ASEAN states accept Chinese funding, especially at the infrastructure level, but at the same time promote their own framework, the ASEAN Outlook on the Indo-Pacific (AOIP), in order to preserve ASEAN centrality and strategic autonomy and to avoid “binary alignment.” The AOIP is essentially ASEAN’s own way of framing the Indo-Pacific: an inclusive approach that keeps the organization at the center of regional debates rather than pushing members into a US–China bipolarity. A clear example is the Philippines and Vietnam. Both have expanded FOIP-aligned cooperation to balance Chinese pressure in the South China Sea, while remaining economically intertwined with China. It is worth emphasizing that, in Vietnam’s case, China has been its largest trading partner since 2004 (FPRI, 2023).

4. Promoting the internalization of the RMB

In the context of intensifying strategic competition with the United States, China has pursued an ambitious external economic agenda. In recent decades, Chinese policymakers have intensified their efforts to integrate China into the global economic and trading system. The first phase of this approach (Going Global 1.0) took place in 1999, and its main orientation was to move away from Mao’s model of self-sufficiency and related isolationism. The state played a key role by providing economic incentives and tax breaks to encourage Chinese companies to expand their participation in international trade (Gonzalez-Vicente, 2011). A milestone in this phase was China’s accession to the World Trade Organization in 2001. Building on this foundation, the subsequent “Going Global 2.0” policy sought to correct previous weaknesses, including weak regulatory oversight and corruption. At the same time, it promoted China as an important supporter of global trade liberalization (Siu and Liu, 2005; Bellabona and Spigarelli, 2007).

During the initial phase of the transformation of the Chinese economic model (open door policy), China’s main goal was to attract capital from abroad in the form of foreign direct investment. A secondary but equally crucial priority was

the technological upgrading of the country. Additionally, in the early 1980s, China adopted for the first time an export-led growth model, a policy orientation that has remained significant over time (Bellabona and Spigarelli, 2007). The BRI, which is an integral part of the Going Global 2.0 strategy, has emerged as a key mechanism for maintaining export-led growth and creating new overseas economic zones, through trade facilitation. The economic incentives offered by both the Chinese and local governments make these zones attractive platforms for Chinese companies seeking to “go global” (Ding, 2017).

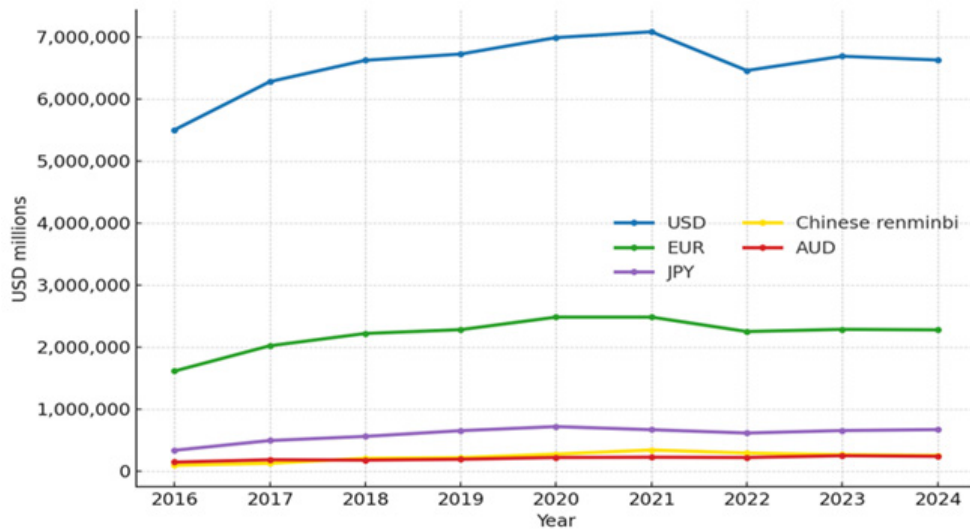
Alongside its emergence as a major economic power, China maintains a highly complex and interdependent relationship with the United States in both trade and finance. China is one of Washington’s most important trading partners and, at the same time, one of the largest foreign holders of US Treasury securities (Neely, 2017). The large volume of US dollars accumulating in Chinese banks as a result of persistent trade surpluses with the United States is recycled into the US financial system mainly through the purchase of US government bonds by the Chinese state. In practice, China uses the dollars it earns from exports to the US market to buy US government debt, thus indirectly financing the US budget deficit (Neely, 2017).

The US is a country with large and persistent trade deficits. In practice, this means that many American products have become less attractive to consumers, due to their high comparative cost compared to other products, especially Chinese ones. This has raised concerns regarding the competitiveness of American products. One such solution would be to devalue the dollar. However, the dollar, because its strength is determined by the supply and demand conditions prevailing in the international currency market, is difficult to devalue. If the Fed decided to print more dollars in order to devalue them, the resulting increase in global demand for dollars would absorb the additional supply, thereby limiting or even neutralizing any intended depreciation.

This is also the long-standing advantage associated with the dollar’s dominant international role, which has historically given the United States greater room for monetary expansion without immediately triggering extreme inflationary pressures. The US exploits the dominant position of the dollar in the global financial system and in international trade transactions. Most countries, to maintain their foreign exchange reserves at high levels (an indication of economic viability-facilitation of trade transactions, etc.), are willing to buy dollars, making the dollar’s devaluation a difficult process.

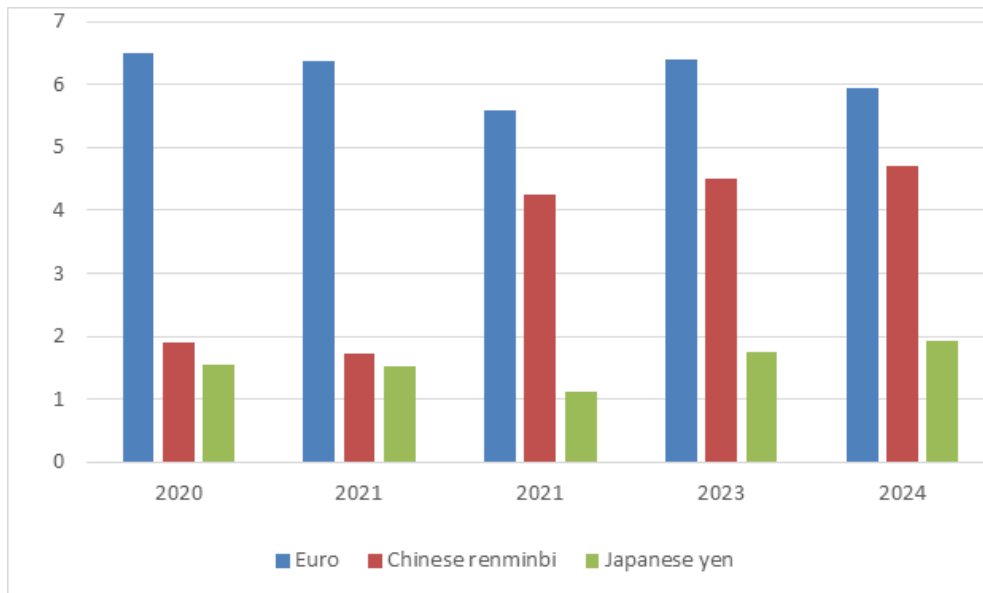
Figure 4 below illustrates global official foreign exchange reserves (COFER), expressed in nominal U.S. dollar values while Figure 5 illustrates the evolution of the share of global trade finance denominated in the euro, the Chinese renminbi, and the Japanese yen between 2020 and 2024.

Figure 4: Global Official Foreign-Exchange Reserves by Currency, 2016-2024 (USD millions)



Source: Authors' own composition, based on data from IMF (2025)

Figure 5: Share of global trade finance (%) (2020-2024)

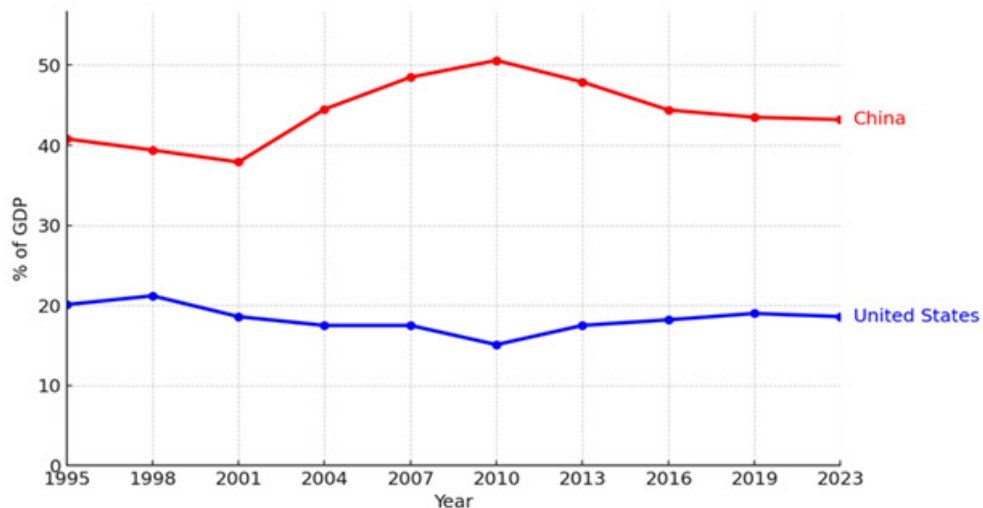


Source: Authors' own composition, based on data from von Beschwitz (2024)

It is also worth noting that from the late 2000s until around 2020, China—despite being a country on which significant trade restrictions and tariffs were imposed—emerged as one of the largest foreign holders of US debt. This mechanism demonstrates how the average Chinese consumer consumed less than what they produced, so the average American consumed more, respectively. China's growth model has been characterized by relatively lower consumption and higher saving, while the United States has exhibited comparatively higher consumption. At the same time, within this de facto arrangement, America kept its market open to Chinese products. This process constitutes a structural mechanism of interdependence through which China strengthens its monetary influence, while the United States maintains access to relatively low-cost capital.

This practice – commonly referred to as dollar recycling – has broad geoeconomic implications because it links China's growth model to the fiscal sustainability of the United States. On the one hand, it allows the United States to finance its budget deficits under comparatively favorable borrowing conditions; on the other hand, it makes China vulnerable if demand for its exports declines among American consumers. This constitutes one of the main reasons that led China to have higher domestic savings than the United States. As shown in Figure 6, over time in China, the percentage of GDP that is not consumed, but saved, is almost double that in the US.

Figure 6: U.S. and Chinese domestic savings



Source: Authors' own composition, based on data from World Bank (2025b)



This fragile balance creates conditions of competition within a framework of mutual dependence. As McDonagh (2025) rightly points out, within this framework of cooperation, the establishment of economic relations does not exclude competition and even conflict. This seems to be confirmed by the intensification of U.S. sanctions on China in recent years, which has further highlighted the competitive dimension of this interdependent relationship. Nevertheless, for almost three decades, this dynamic has created a form of competitive coexistence that, despite the ongoing frictions, functions as a stabilizing mechanism.

5. Conclusion

China's emergence as an economic superpower is changing the landscape of global economic governance. A key feature of this new dynamic is the effort to reshape the global economic and monetary architecture, not its abolition. The building of new institutions, the conclusion of trade agreements, foreign direct investment, and the general effort to promote elements of its state-led development approach abroad are key features of this dynamic. BRI is part of this effort to influence the way global trade operates. It does not aim to abolish conventional trade relations, but to create a new framework in which China sets the rules of operation.

Over the past decade, the BRI has expanded significantly. State participation has expanded, and China's economic penetration has increased. However, the picture of regional cooperation is not uniform, with Africa and Central Asia being the main hubs for attracting Chinese investment. In this new (under development) trade and economic system, the AIIB has already become an alternative financing channel. However, in many cases, projects that were considered vital (e.g., China-Pakistan Economic Corridor, CPEC) have either slowed down or been canceled. The main reasons contributing to this are either the change in domestic politics of the host countries or financing-related constraints. These frictions highlight both the strengths and structural vulnerabilities of the Chinese approach.

In terms of the strength of the Chinese yuan and the shift in the dollar's monetary primacy, the BRI's contribution so far appears to be relatively limited (Roukanas and Karakostas, 2020). Although the yuan's use as a global reserve currency has grown significantly, it remains a secondary currency. The BRI can support the internationalization of the yuan, but its impact is negatively influenced by the limited market depth and the convertibility constraints. The main purpose of both the BRI and the AIIB is not to replace Western-centric monetary institutions but rather to complement them. The result is a hybrid landscape with parallel architecture that coexists and competes.



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