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Research Article

Bounded Ambition: The Asian Infrastructure Investment Bank and the Limits of Chinese Revisionism in Global Finance

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Abstract: This paper asks why the Asian Infrastructure Investment Bank (AIIB), China's flagship multilateral development bank, has converged so thoroughly with World Bank and Asian Development Bank templates despite Beijing's well-documented frustration with Western-dominated financial governance. Rejecting both predictions of systemic displacement and narratives of liberal socialisation, it advances a market-discipline theory of constrained revisionism built on a four-layer causal mechanism. Dollar-system dependence compels market integration; market integration exposes new institutions to credit rating evaluation; rating criteria enforce conformity with established multilateral development bank standards; and accumulated conformity generates network lock-in that forecloses substantive deviation. The paper combines a theory-testing single-case study with a structured cross-domain comparison, operationalising the mechanism through nine indicators drawn from bond issuance, rating assessments, prudential and accounting standards, co-financing ratios, portfolio distribution and voting behaviour. Three observable implications are tested against the AIIB's record through 2025, and the evidence is unambiguous: the dollar is fixed as the unit of account in the constitutive treaty, no parallel renminbi funding track exists, capitalisation far exceeds any rating threshold, most country-level projects are co-financed with incumbent institutions, and the veto China has held since 2016 remains unused. A comparison with the Shanghai Cooperation Organisation shows that identical actor-level variables yield markedly different behaviour where market discipline is absent, confirming the argument's domain-specificity. The paper thus specifies the constraint on rising-power revisionism precisely enough to explain cross-domain variation in Chinese institution-building, and identifies finance as the domain where structural barriers to revisionism bind most tightly.

Keywords: Asian Infrastructure Investment Bank, Constrained Revisionism, Market Discipline, Credit Rating Agencies, Structural Power

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1. Introduction

When China announced the creation of the Asian Infrastructure Investment Bank (AIIB) in 2013, Western commentators reacted with predictable alarm. Here, at last, was the evidence that Beijing intended to dismantle the post-war financial architecture and construct a parallel order more amenable to Chinese interests. The United States lobbied vigorously against allied participation; the Treasury Department warned of governance deficiencies and environmental shortcuts; strategic analysts invoked historical parallels to rising powers challenging established hegemonic orders, that is, international arrangements in which a single preponderant state sets the rules and underwrites the institutions through which others must operate. Yet nearly a decade later, the anticipated revolution has conspicuously failed to materialise. The AIIB holds AAA credit ratings from all three major agencies, co-finances the majority of its projects with the World Bank and Asian Development Bank, operates almost entirely in dollar-denominated markets, and has never once seen China exercise its formal veto power. This paper argues that the AIIB showcases how structural constraints inherent in global finance determine the boundaries of Chinese institutional innovation. Despite rhetorical challenges to Western dominance and genuine frustrations with Bretton Woods governance, China seemingly remains structurally dependent on existing global financial norms, markets, and legitimacy mechanisms (Strange, 1994). This dependence renders embedded revisionism, that is, working within

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the system to incrementally expand influence, the only rational strategy available. The paper's central theoretical contribution is to specify the causal mechanism that produces this outcome: market-discipline mechanisms, operating through credit rating evaluations, investor pricing behaviour, and clearing-and-settlement infrastructure, automatically penalise institutional deviation from established financial standards. These mechanisms function independently of any state's deliberate enforcement, creating structural constraints that bind rising powers regardless of their capabilities or preferences.

The theoretical stakes extend well beyond China studies. If finance imposes harder constraints on revisionist behaviour than security competition, and this paper is to provide both theoretical reasoning and comparative evidence that it does, then the voluminous literature on power transitions and hegemonic war requires substantial qualification. Organski and Kugler (1980) predicted that dissatisfied rising powers would challenge dominant states through military means upon approaching power parity. Yet the contemporary case suggests that financial structural power, the capacity to shape the environment within which all actors must transact rather than to compel any particular actor to act, may preclude institutional challenges before they can be mounted. The dollar's centrality to global payments, credit, and reserves creates dependencies that no single actor can easily escape, regardless of relative military or economic capabilities. China's behaviour in finance thus illuminates broader dynamics of constrained revisionism, a posture in which a dissatisfied power presses for advantage inside an order it declines to overturn, in an era of complex interdependence. The stakes are practical as well as theoretical. If the constraint on Chinese institutional revisionism is structural rather than political, then policies premised on containing Chinese institution-building through diplomatic pressure address the wrong variable, and the far more consequential question becomes whether the United States preserves or erodes the infrastructure that does the constraining. Why should this matter beyond the seminar room? Because the policy debate over Chinese institutional ambition has proceeded almost entirely on the assumption that the constraint is political and therefore contestable. If Washington's leverage over the AIIB lay in diplomatic pressure on prospective members, then the American campaign of 2015 was a defeat, since the United Kingdom, Germany, France and thirty other allies joined regardless. On the argument advanced here that campaign was also unnecessary. The constraint was never diplomatic. It was structural, it was already operating before the first board meeting convened, and it continues to operate irrespective of who sits in the White House. Identifying which constraints on rising powers are structural and which are merely political is not an academic refinement; it determines whether a given policy instrument can work at all.

The paper's method combines a theory-testing single-case study with a structured, focused comparison across domains. The AIIB is selected not as a typical case but as a least-likely one: if any institution created by a rising power possessed the resources, the political backing, and the founding ambition to deviate from incumbent templates, it is the flagship multilateral development bank of the world's second-largest economy, established at the height of Chinese confidence in institutional statecraft. Convergence observed under these conditions constitutes strong confirmatory evidence for the constraining mechanism, since the alternative explanations of insufficient capability or absent intent are least plausible here. Inference proceeds through congruence testing supplemented by process tracing on the funding and rating record: each layer of the mechanism generates indicators whose values are specified in advance, and the mechanism is corroborated only where the observed values match the predicted ones across all three observable implications rather than in isolated instances. The comparison with the Shanghai Cooperation Organisation then holds actor-level variables constant, since Chinese capabilities, preferences, and strategic culture are the same in both institutions, whilst varying the structural environment. Divergence in the security domain therefore isolates market discipline as the operative variable rather than any attribute of the actor itself.

The argument proceeds in four further sections. Section 2 develops the market-discipline theory of constrained revisionism, setting out its four layers, situating each within the relevant literature, and deriving three observable implications. Section 3 tests those implications against the AIIB's operational record from 2016 to 2025. Section 4 conducts the structured comparison with the Shanghai Cooperation Organisation, addresses the institutional balancing alternative, and states the methodological limits of the comparison. Section 5 draws out the theoretical contribution and its implications for the study of rising power behaviour.

2. Theoretical Framework: Structural Power, Market Discipline, and the Iron Cage of Global Finance

The scholarly literature on rising powers and international order generates divergent expectations about how China should behave in global financial governance. Power transition theory, in its classical formulation, predicts that dissatisfied states will challenge the existing order as they approach parity with the dominant power (Gilpin, 1981; Organski & Kugler, 1980). Liberal institutionalist scholarship offers a contrasting prediction: states embedded within international institutions become progressively socialised into the norms and practices of those institutions, eventually internalising the logic of order maintenance (Ikenberry, 2008, 2011; Johnston, 2008). Neither framework adequately captures the empirical pattern. China has neither mounted the frontal challenge that power transition theory anticipates nor accepted the substantive constraints that liberal institutionalism assumes. Instead, Beijing has pursued what Chan et al. (2021) term constrained revisionism: efforts to expand influence and reshape rules that nonetheless operate within existing systemic parameters.

The constrained revisionism concept is descriptively accurate but analytically incomplete. Its proponents observe that China seeks to alter distributional outcomes and decision-making procedures without overturning the fundamental architecture of international order, yet the framework remains underspecified on the crucial question: what precisely constrains the revisionism? The standard answers, that is, insufficient capabilities (Gilpin, 1981; Organski & Kugler, 1980), uncertainty about consequences (Johnston, 2008), or genuine preference for the existing order (Ikenberry, 2008), are individually unsatisfying. Chinese capabilities have grown enormously without producing corresponding behavioural escalation; uncertainty should diminish with institutional experience; and revealed preferences consistently demonstrate frustration with American-dominated governance. Goddard (2018) offers a more sophisticated answer through her concept of embedded revisionism: highly connected states within institutional networks face prohibitive exit costs that channel revisionist ambitions toward engagement rather than disruption. Yet this framework, whilst identifying the constraining dynamic, does not specify the mechanism with sufficient precision to explain why embedded revisionism operates differently across different domains of international order.

This paper proposes a specific structural mechanism, what I term the market-discipline theory of constrained revisionism, that addresses this gap. The argument synthesises insights from four theoretical traditions into a unified causal chain. The synthesis is original not because its individual components are novel but because the combination specifies a self-reinforcing mechanism that existing frameworks treat only in fragments. Each layer of the mechanism builds on the preceding one, creating a cumulative constraint structure whose observable implications can be tested against the empirical record.

2.1. Layer one: Currency hierarchy creates structural dependence

Strange's (1994) framework of structural power identifies finance as a domain in which power operates not through the relational capacity to compel specific behaviours but through the ability to shape the context within which all actors must operate. The state that controls access to credit, determines the conditions on which credit is extended, and dominates the infrastructure of international payments exercises structural power over all other actors. That infrastructure is worth describing concretely, because its concreteness is the point. Cross-border dollar payments clear through the Clearing House Interbank Payments System and, ultimately, through accounts held at the Federal Reserve, which means that any institution transacting in dollars depends on correspondent banks that are themselves subject to American jurisdiction. Payment instructions travel over the SWIFT messaging network, headquartered in Belgium but subject to sustained American regulatory attention since 2001. Sovereign and supranational borrowers raise long-term funds in bond markets concentrated in New York and London, intermediated by a small number of primary dealers and evaluated by three rating agencies, two of which are American and all of which apply criteria developed against Western institutional templates. Reserve accumulation, liquidity provision and crisis lending run through the International Monetary Fund and the Bank for International Settlements, in which voting weights still reflect the distribution of economic power in 1944 rather than 2026. None of these nodes was designed as an instrument of coercion. Each nonetheless functions as one, because an actor excluded from any of them cannot conduct international finance at scale.

Cohen (2015, pp. 16–17) extends this by theorising a global 'Currency Pyramid' in which the dollar's apex position grants the United States asymmetric monetary autonomy whilst constraining all others.

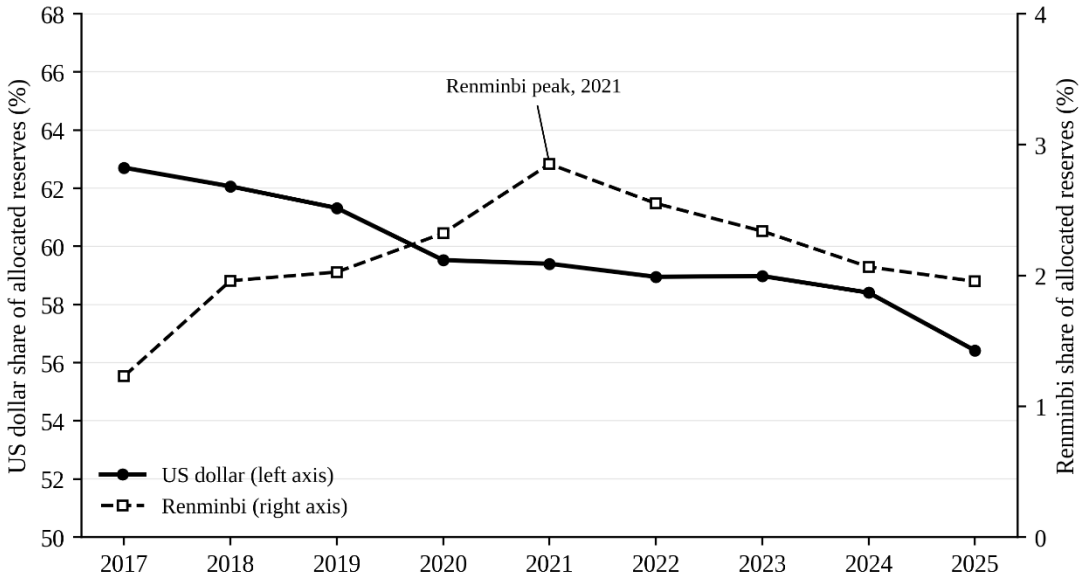
His distinction between monetary autonomy (freedom from external constraint) and influence (capacity to shape others' behaviour) maps directly onto the AIIB's predicament: China gains influence through its flagship multilateral development bank (MDB) but lacks the monetary autonomy to operate it outside dollar-based infrastructure. The dollar accounts for approximately 56.4 per cent (International Monetary Fund [IMF], 2026) of global foreign exchange reserves, participates in 88 per cent of foreign exchange transactions, and denominates roughly 60 per cent of foreign currency debt (Bertaut et al., 2025). Kirshner's (1995) taxonomy of monetary power identifies three mechanisms, of which monetary dependence is directly applicable: the AIIB's reliance on dollar bond markets creates automatic discipline without requiring active coercion.

China has not been passive before this architecture, and the record of its attempts to modify it is instructive precisely because of how little it has yielded. Beijing launched the Cross-Border Interbank Payment System in 2015 as a renminbi-denominated alternative to dollar clearing. It negotiated bilateral currency swap lines with more than forty central banks. It secured the renminbi's admission to the Special Drawing Rights basket in 2016, a symbolic victory of considerable diplomatic weight. It has piloted a central bank digital currency and participated in multilateral experiments in cross-border digital settlement. Each initiative is real; none has altered the underlying distribution. CIPS continues to rely on SWIFT for a substantial share of its messaging. The swap lines are drawn upon rarely and usually under distress. SDR membership confers status without convertibility. The reserve data presented below register the cumulative effect of a decade of such effort, and the effect is negligible. This is the context in which the AIIB's founders made their architectural choices, and it explains why those choices look less like preference than like arithmetic. Helleiner (2014) demonstrates that even the 2008 financial crisis, originating in the United States, produced continuity rather than transformation in financial governance, underscoring the remarkable durability of dollar-system structural power.

The reserve data make the asymmetry plain. Between 2017 and 2025 the dollar's share of allocated foreign exchange reserves declined by more than six percentage points, a trend often read as evidence of incipient monetary multipolarity. Yet the renminbi captured almost none of that ground. Its share peaked at 2.85 per cent in 2021 and has retreated in every subsequent year, falling to 1.95 per cent by the end of 2025, below where it stood in 2018 (IMF, 2026). Reserve managers diversifying away from the dollar have moved into the Australian and Canadian dollars, the Korean won and gold, not into Chinese assets. The dollar's decline is therefore not the renminbi's opportunity, and this is precisely the condition under which the first causal layer binds: an institution seeking to escape dollar dependence has nowhere credible to go.

Figure 1

Currency Composition of Allocated Foreign Exchange Reserves: US Dollar and Chinese Renminbi, 2017–2025



Note: Shares of total allocated foreign exchange reserves. The dollar is plotted on the left axis, the renminbi on the right, owing to the difference in magnitude. Data from the International Monetary Fund's Currency Composition of Official Foreign Exchange Reserves (COFER) database.

Table 1

US Dollar and Renminbi in Allocated Foreign Exchange Reserves, 2017–2025

Year	USD share (%)	RMB share (%)	RMB holdings (USD bn)
2017	62.71	1.23	141
2018	62.07	1.96	224
2019	61.32	2.03	239
2020	59.53	2.32	295
2021	59.40	2.85	368
2022	58.95	2.55	303
2023	58.98	2.34	288
2024	58.41	2.07	255
2025	56.42	1.95	257

Note: Year-end values. Data from International Monetary Fund [IMF] (2026), COFER.

2.2. Layer two: Credit rating agency gatekeeping transmits structural power

Currency hierarchy establishes the structural environment, but it does not by itself explain how structural power operates on specific institutions. The transmission mechanism runs through what Sinclair (2005, p. 15) terms 'embedded knowledge networks': credit rating agencies that exercise epistemic authority over capital market access, effectively privatising regulatory governance. For multilateral development banks, this gatekeeping function is especially consequential. Humphrey's (2016) path-breaking analysis demonstrates that capital market dependence forces organisational convergence across MDBs regardless of founding mandates. Because MDBs fund their lending by selling bonds, they require favourable credit ratings; ratings require conformity with evaluation criteria that presuppose established institutional models; and deviation triggers downgrades that raise borrowing costs and reduce investor confidence. Humphrey (2017) further reveals that S&P's methodology systematically undervalues non-Western shareholders' callable capital, structurally disadvantaging institutions with non-traditional shareholder bases. The specific content of the criteria repays attention, because it is at this level that the mechanism does its work. Agency methodologies for multilateral lenders assess capital adequacy against risk-weighted assets, the credit quality of callable capital, portfolio concentration, preferred creditor treatment, liquidity coverage, and the quality of governance and risk management. Every one of these is a quantified threshold rather than a matter of judgment, and every one embeds assumptions drawn from the operating history of the World Bank and the regional development banks. An institution proposing to lend counter-cyclically, to accept higher concentration in pursuit of a regional mandate, or to price below market in order to advance a development objective would find each departure registered as a deterioration in a named ratio. The agencies need form no view on the political character of such choices. They need only apply the ratio. Herein lies the distinctive quality of market discipline as a mode of power: it converts contestable political questions into technical ones, and technical questions are not negotiable in the way political ones are. A state may lobby a rival government. It cannot lobby a risk weighting. The disciplinary mechanism is thus doubly asymmetric: the rules themselves favour established institutions, and the enforcement operates automatically through decentralised market pricing rather than through deliberate state action.

The Brookings Institution articulates this logic in applied terms: global financial markets constrain the AIIB because, like the World Bank, the AIIB funds its loans by selling its own debt, and loans for projects that are opaque, politically motivated, or fall short of best practices are less likely to be repaid, raising the institution's future cost of financing (Wright, 2019). The constraint operates not through American diplomatic pressure or institutional competition but through the decentralised pricing decisions of bondholders and the evaluative criteria of rating agencies. The AIIB cannot afford to be a revisionist institution because its business model depends on market acceptance.

2.3. Layer three: Coercive isomorphism enforces template conformity

The third layer translates macro- and meso-level constraints into micro-level institutional behaviour. DiMaggio and Powell's (1983) seminal analysis identifies three mechanisms through which organisations in a given field come to resemble one another: coercive isomorphism (external pressures from entities on which the organisation depends), mimetic isomorphism (modelling on perceived successful templates under conditions of uncertainty), and normative isomorphism (professional networks transmitting shared standards). All three operate simultaneously on the AIIB. Bond market requirements and CRA evaluation criteria constitute coercive pressures. The World Bank and ADB provide templates that a new MDB, operating under profound uncertainty about market reception, rationally emulates. And the recruitment of senior management from established MDBs imports professional norms that entrench convergence further. The depth of this convergence is easily underestimated. The AIIB's Environmental and Social Framework reproduces the substantive architecture of the World Bank's safeguard policies, including categorical screening by risk level, mandatory environmental and social assessment, provisions on involuntary resettlement and indigenous peoples, an exclusion list, and a project-level grievance mechanism. Its procurement policy admits bidders without restriction as to nationality, which forgoes the tied-procurement advantage that Chinese bilateral lending routinely secures. Its complaints mechanism permits project-affected people to petition an office insulated from management. Each of these represents a cost accepted rather than a benefit sought, and each corresponds to an item that rating agencies and prospective bondholders scrutinise. What is striking is not that a new institution copied its predecessors, which is unremarkable, but that it copied precisely those features which most constrain the discretion of its dominant shareholder. Mimetic isomorphism would predict emulation of successful templates in general. Coercive isomorphism predicts emulation concentrated in the features that the funding environment monitors, and that is the pattern the record displays. Xu and Liu (2025) have applied this framework directly to Chinese development finance institutions, finding that the AIIB displays the strongest convergence with Western MDB norms precisely because it faces the highest isomorphic pressure of all Chinese financial institutions, a finding that corroborates the causal mechanism theorised here.

2.4. Layer four: Network embeddedness generates lock-in

The fourth layer explains why these constraints prove self-reinforcing rather than temporary. Farrell and Newman's (2019) analysis of global economic networks demonstrates that financial infrastructure develops asymmetric hub-and-spoke topologies in which US-controlled nodes generate what they term the 'panopticon effect' (surveillance capacity) and the 'chokepoint effect' (capacity to deny access) (pp. 45–46). The AIIB must interface with SWIFT messaging, dollar clearing mechanisms, and Western-dominated bond markets, each of which constitutes a structural vulnerability absent in domains where institutions operate within more decentralised topologies. Goddard (2018) complements this through her network-theoretic account of revisionism: the more deeply embedded a state within institutional networks, the higher the costs of exit and the stronger the incentive to pursue change from within. Each co-financing agreement, each bond issuance, each CRA evaluation cycle deepens the AIIB's integration into established financial networks and raises the costs of future deviation. The temporal logic here deserves emphasis, since it distinguishes this account from a static structural argument. At founding, an institution's choices are genuinely open, if costly. Once made, they become progressively harder to reverse. A borrower who has issued dollar benchmarks acquires a yield curve, an investor base and a swap book, all of which are assets that would be destroyed by redenomination. An institution that has co-financed one hundred and forty-eight projects alongside the World Bank and the Asian Development Bank has accumulated shared appraisal procedures, joint supervision arrangements and reputational entanglement that would be forfeit on exit. A bank rated triple-A by three agencies for a decade holds a reputational asset whose value is a function of its continuity, and which therefore cannot be spent without being lost. Each of these is a sunk investment that raises the price of the very deviation it was once possible to choose. The constraint thus tightens over time without anyone tightening it, which is why the appropriate metaphor is a cage rather than a chain. Nobody holds the other end. The mechanism is therefore not merely constraining but cumulative: conformity begets dependence, which begets further conformity. The result is what DiMaggio and Powell might recognise as an iron cage, one constructed not by bureaucratic rationality but by the structural logic of global capital markets.

2.5. Observable implications

If this four-layer mechanism is operative, three observable implications follow. First, the AIIB should have structured its financial operations to maximise integration with dollar-denominated capital markets, even at the expense of Chinese preferences for renminbi internationalisation (OI-1). Second, market-discipline intermediaries, particularly credit rating agencies, should have explicitly evaluated the AIIB against established MDB standards, and the AIIB should have adapted its practices to satisfy these evaluations rather than to reflect distinctively Chinese institutional preferences (OI-2). Third, the AIIB's governance, operations, and project portfolio should converge with established MDB models in ways that sacrifice potential Chinese advantages for market credibility (OI-3). Section 3 tests each of these implications against the empirical record. Table 2 sets out the operationalisation in full, linking each layer of the mechanism to its theoretical provenance, its observable implication, and the indicator against which it is tested.

Table 2

Operationalisation of the Four-Layer Market-Discipline Mechanism

Layer	Theoretical provenance	Observable implication	Indicator	Evidentiary source
1. Currency hierarchy	Strange (1994); Cohen (2015); Kirshner (1995)	OI-1	Currency designated as unit of account	Articles of Agreement, Art. 4.4
1. Currency hierarchy	Eichengreen et al. (2019)	OI-1	Currency composition of cumulative bond issuance	AIIB funding disclosures, 2019–2025
1. Currency hierarchy	Helleiner (2014)	OI-1	Existence of a parallel renminbi funding channel	AIIB treasury programme documents
2. CRA gatekeeping	Sinclair (2005); Humphrey (2017)	OI-2	Rating level and outlook, three agencies	S&P, Moody's, Fitch rating reports
2. CRA gatekeeping	Humphrey (2016)	OI-2	Risk-adjusted capital ratio against AAA-rated peers	AIIB Annual Report 2024; agency reports
3. Coercive isomorphism	DiMaggio and Powell (1983)	OI-2	Prudential and accounting standards adopted	Basel risk weighting; IFRS 9 adoption
3. Coercive isomorphism	Xu and Liu (2025)	OI-3	Share of country-level projects co-financed with incumbent MDBs	Daßler et al. (2026)
4. Network embeddedness	Farrell and Newman (2019)	OI-3	Portfolio distribution and procurement openness	AIIB Annual Report 2024
4. Network embeddedness	Goddard (2018)	OI-3	Exercise of formal veto authority	AIIB governance records, 2016–2025

3. Testing the Mechanism: Market Discipline and Institutional Convergence at the AIIB

OI-1: Market-access dependence and dollar-system integration

The most fundamental evidence of structural constraint lies in the AIIB's financial architecture. Article 4.4 of the Articles of Agreement defines the United States dollar as the official unit of account (AIIB, 2015). This is not a technical detail but a constitutive commitment to operating within the dollar system. Since its inaugural benchmark bond in May 2019, the AIIB has built an annual funding programme of approximately USD 10 billion, which it projects will rise to around USD 15 billion by

the end of the decade, with borrowings standing at USD 39.1 billion at the end of 2025 (AIIB, 2026b). Dollar-denominated instruments comprise the overwhelming majority. The 2025 funding programme completed $9.5 billion of its $10 billion target by September 2025, with a January 2025 offering of $2 billion generating an orderbook exceeding $9.5 billion (AIIB, 2025a). There is no renminbi parallel track, no alternative clearing mechanism, no infrastructure for non-dollar operations.

This design choice is analytically puzzling from any perspective other than structural constraint. China has invested substantially in renminbi internationalisation through bilateral swap agreements, the Cross-Border Interbank Payment System (CIPS), and inclusion of the renminbi in the IMF's Special Drawing Rights basket. Beijing regularly criticises dollar hegemony in diplomatic forums. Yet when designing its flagship MDB, China committed entirely to dollar operations. The explanation lies precisely in the first causal layer: the structural barriers to renminbi-based international finance render any alternative architecture prohibitively costly. Hong Kong, the world's largest offshore renminbi pool, held roughly RMB1 trillion in renminbi deposits and certificates of deposit in 2025 (Hong Kong Monetary Authority [HKMA], 2025), an order of magnitude that cannot support multilateral lending at scale. Eichengreen et al. (2019) conclude that currency internationalisation without full capital account liberalisation requires the renminbi to be backed by dollar reserves, a paradox meaning China cannot escape dollar dependence even whilst promoting renminbi use. China's own structural vulnerabilities compound this dependence. Once Treasuries held through Euroclear are attributed to China, its holdings of US assets appear broadly stable at between $1.8 and $1.9 trillion (Setser, 2023); Setser's (2026) revised method, which spreads the adjustment across European and Canadian custodians, still places China's US financial holdings at 50 to 55 per cent of its reserves.

OI-2: Credit rating agency discipline and standards compliance

The second observable implication, that market-discipline intermediaries explicitly evaluate the AIIB against established standards and that the institution adapts accordingly, finds strong empirical support. The AIIB secured AAA credit ratings from Moody's, S&P, and Fitch within two years of commencing operations. As of 2025, all three agencies have reaffirmed these ratings at the highest level with stable outlooks (Fitch Ratings, 2025; Moody's Ratings, 2025; S&P Global Ratings, 2025). The rating methodology explicitly evaluates governance frameworks, risk management practices, capitalisation adequacy, and alignment with established MDB operational models. Fitch upgraded its assessment of AIIB risk-management policies from 'Strong' to 'Excellent' in 2025, a judgment predicated on the institution's conformity with standards that the second causal layer predicts will be enforced. Table 3 records the rating trajectory, which is notable less for its stability than for the direction of its qualitative assessments.

Table 3

AIIB Credit Ratings and Rating Agency Assessments, 2017–2025

Agency	Initial rating	Date of assignment	Most recent action	Outlook
Moody's	Aaa	June 29, 2017	Reaffirmed, April 2025	Stable
S&P Global	AAA	July 18, 2017	Reaffirmed, March 2025	Stable
Fitch	AAA	July 13, 2017	Reaffirmed, December 2025; risk-management assessment raised from 'Strong' to 'Excellent'	Stable

Note: Compiled from AIIB (2026a) and the most recent rating actions (Fitch Ratings, 2025; Moody's Ratings, 2025; S&P Global Ratings, 2025).

The standards compliance chain extends across multiple dimensions of institutional design. The AIIB's Risk Management Framework explicitly adopts IFRS 9 accounting standards and three-lines-of-defence risk architecture, not Chinese accounting or risk management standards but international standards developed within and for the dollar-system financial infrastructure. The Basel Committee

on Banking Supervision qualifies the AIIB for zero per cent risk weight, the identical treatment afforded to the World Bank, precisely because the institution meets Basel-defined prudential standards (Federal Deposit Insurance Corporation [FDIC], 2024). The AIIB's Environmental and Social Framework, revised in 2024, aligns substantively with World Bank safeguard standards and explicitly applies equivalent protections on co-financed projects. Each adoption represents a link in the causal chain: market access requires ratings approval, ratings approval requires standards compliance, and compliance requires convergence with established institutional models.

The institution's risk-adjusted capital ratio of 49 per cent is the highest among all AAA-rated MDBs (compared with approximately 30 per cent for the ADB and 24 per cent for the IBRD), and its non-performing asset ratio stands at 0.0 per cent (AIIB, 2025b). This over-compliance with CRA standards constitutes perhaps the most telling evidence: the AIIB does not merely meet the standards required for its rating but substantially exceeds them. Humphrey's (2016) framework predicts precisely this anticipatory discipline, where the threat of potential downgrades may prove more powerful than actual downgrades. The AIIB self-disciplines to maintain its rating, investing heavily in the conservative posture that market participants expect. The comparative capitalisation figures in Table 4 make the point more forcefully than any narrative account could.

Table 4

Indicator Values: The AIIB Against Established Multilateral Development Bank Benchmarks

Indicator	AIIB	ADB	IBRD
Risk-adjusted capital ratio	49%	c. 30%	c. 24%
Non-performing asset ratio	0.0%	—	—
Basel risk weighting	0%	0%	0%
Accounting standard	IFRS 9	IFRS	IFRS
Rating (three agencies)	AAA/Aaa	AAA/Aaa	AAA/Aaa
Procurement	Open, no nationality restriction	Open	Open

OI-3: Behavioural convergence in governance, co-financing, and portfolio composition

The third observable implication predicts that the AIIB's operational behaviour will converge with established MDB models, sacrificing distinctively Chinese institutional features for market credibility. The evidence across governance, co-financing, project portfolio, and veto behaviour confirms this prediction.

The governance structure reveals calibrated constraint. China holds 26.5 per cent of voting power, deliberately set just above the 25 per cent threshold required to block supermajority decisions (AIIB, 2015). This provides formal veto authority over constitutional amendments whilst falling far short of operational control. European members collectively control approximately 22 per cent of votes (Cianforlini, 2025, p. 855), creating genuine multilateral character. The distribution sacrifices potential Chinese dominance for enhanced legitimacy, a trade-off that the market-discipline framework predicts, since concentrated control would raise investor and rating agency concerns about politicised lending. The January 2026 leadership transition from founding President Jin Liqun to Zou Jiayi, a former Chinese Vice Minister of Finance, has attracted scrutiny regarding Beijing's influence. Yet the AIIB's 2023 internal governance review found that the institution's decision culture remains consensus-oriented (AIIB, 2023), and no evidence of operational interference has been substantiated.

Co-financing behaviour provides the most striking evidence of convergence through isomorphic pressure. A comprehensive analysis in the Review of International Political Economy examining 277 country-level projects found that 148 (53 per cent) were co-financed with established MDBs, including 66 with the World Bank and 56 with the ADB (Daßler et al., 2026). In 2023 alone, the AIIB committed $4.8 billion to ADB-led projects, representing 62 per cent of the ADB's total multilateral co-financing (Asian Development Bank [ADB], 2024). A renewed AIIB-ADB memorandum of understanding was signed in November 2024, and ten MDBs jointly launched a Global Co-financing Platform in April 2024. Co-financing functions within the market-discipline framework as reputational borrowing: embedding within established institutional networks, benefiting from World Bank due diligence, environmental assessments, and procurement oversight. This operational strategy directly trades institutional distinctiveness for market legitimacy, exactly as the isomorphism layer of the causal mechanism predicts.

Project portfolio composition reinforces convergence. Total approved financing through 2024 reached $69.9 billion across 361 projects in 40 member economies (AIIB, 2025b). India, China's principal strategic competitor, has received the largest number of projects. Were the AIIB primarily a vehicle for extending Chinese geopolitical influence, one would expect Beijing to prioritise strategic partners or Belt and Road corridors. Instead, the portfolio reflects commercially driven lending shaped by market opportunities and co-financing partnerships. Sectorally, 67 per cent of 2024 approvals qualified as climate-related, whilst the open procurement policy contrasts sharply with Chinese bilateral lending, which typically requires Chinese contractors and materials. These features are explicable as responses to market-discipline pressures: rating agencies evaluate portfolio quality, geographic diversification, and procurement transparency.

The relationship between the AIIB and the Belt and Road Initiative sharpens rather than complicates this finding. Critics of the bank routinely treat the two as a single project, with the AIIB serving as the multilateral face of a fundamentally bilateral programme of geoeconomic expansion. The institutional record does not support the conflation. The AIIB has never adopted the BRI as a formal mandate, its Articles contain no reference to it, and its portfolio includes substantial lending to India, which has declined to participate in the initiative at all and which nonetheless remains the bank's largest borrower. More revealing is the divergence in conduct. BRI lending is disbursed largely through the China Development Bank and the Export-Import Bank of China, institutions funded by domestic deposits, policy mandates and state capital rather than by rated international bonds. Those institutions have accordingly lent on collateralised terms, with confidentiality clauses, without competitive procurement and without the safeguard architecture that the AIIB has adopted wholesale (Dreher et al., 2022; Horn et al., 2021). Two arms of the same state, pursuing overlapping objectives in overlapping geographies, behave in incompatible ways. The variable that distinguishes them is not intention but exposure to market evaluation. Where Chinese finance escapes the rating agencies, it also escapes the templates. Where it does not, it conforms.

Finally, China's veto non-use constitutes significant negative evidence. Despite holding formal veto power, China has never exercised it. Former President Jin Liqun stated at Davos in 2016 that the institution would not increase the special majority to preserve Chinese veto power, a deliberate contrast with the United States' preservation of its veto at the World Bank (Fu, 2016). The market-discipline framework explains this restraint without requiring assumptions about Chinese benevolence: veto exercise would damage institutional legitimacy, generate investor uncertainty, trigger ratings review, and complicate co-financing relationships. The anticipated costs render unilateral assertion irrational regardless of Chinese preferences.

4. Domain Comparison: The AIIB and the Shanghai Cooperation Organisation

The theoretical framework's most distinctive claim, that finance imposes harder constraints on revisionist behaviour than security, requires comparative validation. If market-discipline mechanisms constitute the operative constraining force, then the same rising power should exhibit less constrained institutional innovation in domains where such mechanisms are absent. The Shanghai Cooperation Organisation provides a structured comparison: a Chinese-led multilateral institution created in the security domain where market-discipline mechanisms do not operate (Shanghai Cooperation Organisation [SCO], 2002). Comparing AIIB and SCO under a common analytical framework controls for actor-level variables and isolates the effect of domain-specific structural constraints. Table 5 arrays the two institutions across the five dimensions the framework identifies as diagnostic.

Table 5

Structured Comparison of the AIIB and the Shanghai Cooperation Organisation

Dimension	AIIB (financial domain)	SCO (security domain)
External funding dependence	Bond markets; requires investor demand	Member state contributions
Exposure to market discipline	Continuous CRA evaluation; pricing penalties	None
Institutional template	World Bank and ADB models; Basel, IFRS	Rejects NATO and OSCE templates; 'Shanghai Spirit'
Chinese leadership posture	Restraint; veto held but unexercised	Activist agenda-setting; membership expansion
Normative content	Western safeguard and governance standards	Sovereignty, non-interference, no conditionality

The theoretical basis for expecting cross-domain variation is well established. Keohane and Nye (2012) demonstrate that power resources are not fungible across issue areas; each domain has its own structure, channels, and hierarchy. Lipscy (2017) argues that policy areas differ in their propensity to create institutional competition: in development finance, new institutions must conform to domain-structural requirements because outside options depend on market access. The AIIB is a clear instance of what Morse and Keohane (2014, p. 385) call 'competitive regime creation', yet in the financial domain the costs of contestation are far higher than in security, because new institutions must integrate with existing financial infrastructure. Heldt and Schmidtke (2019) demonstrate that the development finance regime complex is uniquely coherent because the World Bank exercises structural influence over field-level norms, socialising new entrants through co-financing networks. Taken together, these analyses predict precisely what the comparison reveals: convergence in finance and divergence in security.

The SCO, established in 2001 with China, Russia, and four Central Asian states, exhibits institutional behaviour markedly different from the AIIB across every dimension the theoretical framework identifies as diagnostic. First, the SCO has no equivalent external dependency that disciplines institutional design. The organisation does not issue debt, seek credit ratings, or operate within capital markets. Its operational funding derives from member state contributions, insulating institutional choices from market evaluation. This structural difference corresponds precisely to the theoretical prediction: absent market-discipline mechanisms, the constraining force that shapes the AIIB's behaviour is simply not present.

Second, the SCO has developed distinctively non-Western institutional features where the AIIB has converged on established MDB models. The SCO's normative framework centres on the 'Shanghai Spirit', a set of principles emphasising mutual trust, equality, consultation, and respect for cultural diversity, that explicitly rejects Western liberal norms of governance conditionality, human rights oversight, and democratic standards (SCO, 2002). The organisation has resisted adopting institutional templates from NATO or the OSCE, instead constructing decision-making procedures and normative justifications that reflect Chinese and Russian preferences regarding sovereignty and non-interference. This deliberate divergence from established templates contrasts sharply with the AIIB's wholesale adoption of World Bank standards, Basel norms, and IFRS accounting.

Third, Chinese leadership behaviour within the SCO differs qualitatively from the AIIB's governance restraint. Within the SCO, China has actively shaped institutional agendas, promoted the Regional Anti-Terrorist Structure, driven the expansion to include India and Pakistan, and used the organisation as a platform for Belt and Road coordination. This activist institutional management contrasts with the AIIB's cautious, consensus-driven, market-legitimacy-seeking governance. China has not needed to exercise strategic restraint within the SCO because the security domain lacks the automatic punishment mechanisms, such as credit downgrades, capital flight, and borrowing cost increases, that discipline financial institutions.

The comparison illuminates the nature of the constraints involved and validates the market-discipline theory's domain-specificity. Security constraints derive primarily from opposing capabilities: other states may resist Chinese institutional leadership through counter-balancing, alliance formation,

or diplomatic opposition. These constraints are real but contingent; they depend on the reactions of specific actors and can, in principle, be overcome through capability accumulation or diplomatic persuasion (Farrell & Newman, 2019). Financial constraints, by contrast, are structural and self-enforcing: they emerge from the aggregated behaviours of dispersed market participants and rating agencies operating according to their own incentives, not from the deliberate opposition of rival states. A rising power cannot overcome financial constraints through capability accumulation because the constraints are properties of the system itself.

Three limits of this comparison warrant candid acknowledgement, since a structured comparison across domains buys inferential leverage at a price. First, the AIIB and the SCO are not functionally equivalent organisations. One lends capital, the other coordinates security cooperation, and the absence of market discipline in the latter is partly definitional rather than merely empirical. The comparison therefore establishes that domain structure conditions institutional form; it cannot establish the counterfactual of how a Chinese security institution would behave were it somehow subject to market evaluation. Second, the two institutions differ in age by fifteen years, and the SCO's formative period coincided with a considerably weaker Chinese position in world politics, which may account for some portion of its normative distinctiveness independently of domain structure. Third, controlling for actor-level variables assumes that Chinese preferences are held constant across ministries and functional bureaucracies, an assumption that scholarship on Chinese foreign policy fragmentation renders less secure than the framework requires. These limits circumscribe the strength of the inference without displacing it. The asymmetry to be explained remains that a single state, in the same decade, submitted to templates it privately resents in one domain whilst constructing alternatives to them in another, and no actor-level account has yet explained why.

The comparison also addresses the institutional balancing alternative directly. If the AIIB's design convergence reflected strategic choice for coalition-building purposes, as He and Feng's (2019) institutional balancing theory suggests, we would expect analogous convergence in Chinese security institutions, since coalition-building incentives exist in both domains. The SCO's deliberate divergence from Western security institution models demonstrates that China does not adopt established templates when structural constraints do not require it. This asymmetry (convergence in finance, divergence in security) is parsimoniously explained by the market-discipline mechanism but not by institutional balancing alone. Institutional balancing may explain why China created the AIIB in the first instance; it cannot explain the degree of subsequent convergence.

5. Conclusion: Finance as the Hardest Constraint

The preceding analysis supports three interlocking conclusions. First, the AIIB's institutional design and operational behaviour are systematically explained by the four-layer market-discipline mechanism specified in this paper. Dollar denomination, Basel standards adoption, IFRS accounting, co-financing dependence, open procurement, and veto non-use each constitute observable implications of the mechanism, and each finds strong empirical support. The causal chain is internally coherent: currency hierarchy compels dollar-system integration; integration subjects the institution to CRA gatekeeping; CRA evaluation criteria enforce template conformity through coercive isomorphism; and accumulated conformity generates network lock-in through embeddedness. This chain operates through structural properties of the global financial system rather than through the deliberate enforcement of any single state.

Second, the structured comparison with the Shanghai Cooperation Organisation validates the domain-specificity of the argument. The same rising power, operating with the same capabilities, preferences, and strategic culture, exhibits markedly different institutional behaviour across domains distinguished by the presence or absence of market-discipline mechanisms. In finance, where these mechanisms bind, China has reproduced existing institutional templates with remarkable fidelity. In security, where these mechanisms are absent, China has constructed institutions with distinctively non-Western features. This cross-domain variation cannot be explained by actor-level variables, which remain constant, but is parsimoniously explained by the structural mechanism theorised here.

Third, these findings refute three common characterisations of the AIIB. The Bretton Woods replacement thesis is unsustainable: the AIIB's $100 billion authorised capital represents roughly one-third of World Bank capital, the institution creates no alternative reserve currency, and its operational dependence on co-financing demonstrates complementary rather than competitive positioning. The geopolitical weapon thesis cannot account for a portfolio that directs more lending to India than to

any other country and operates under open procurement rules. The systemic rupture thesis confuses institutional proliferation with systemic transformation. Nor does the record sustain the claim that the AIIB was built to displace the Bretton Woods institutions. A challenger would not adopt its rival's safeguard policies, seek its rival's rating agencies' approval, or co-finance the majority of its country-level operations with the very institutions it proposed to supplant. The AIIB has done all three. Stephen and Skidmore (2019) conclude that the AIIB represents China's integration into global social networks through conformity; Wilson (2019) traces its evolution from a revisionist to a status-seeking agenda. The contribution of this paper lies in specifying the mechanism that produces this adaptation, and in demonstrating through structured comparison that the mechanism is domain-specific rather than a general feature of Chinese grand strategy.

The theoretical contribution can be stated precisely. The constrained revisionism literature identifies an outcome and attributes it, variously, to capability shortfalls, socialisation, or exit costs. Each of these accounts locates the constraint in a property of the actor: what China can do, what China has come to want, what China would forfeit. The market-discipline theory relocates the constraint in a property of the domain. It specifies four layers, each with its own established literature and its own observable signature, and it explains not merely that revisionism is bounded but where the boundary is drawn and by what. This yields a portable proposition rather than a case-specific observation: institutional innovation by any rising power will converge on incumbent templates in proportion to the innovating institution's dependence on privately intermediated market access. The proposition is falsifiable. A revisionist institution that secured operational viability without recourse to rated capital markets, or one that retained distinctive features whilst still obtaining top-tier ratings, would disconfirm it. That the AIIB, of all conceivable cases, did neither is what gives the finding its weight.

The implications for understanding rising power behaviour are significant. Power transition theory assumes that dissatisfied powers will challenge existing orders as they approach capability parity. The financial domain suggests an important scope condition: this prediction applies only where structural constraints permit challenge. In domains characterised by infrastructure entrenchment, network effects, and self-enforcing market mechanisms, rising powers may remain constrained regardless of capability levels. The policy implication is that preserving American financial structural power may be more consequential for maintaining international order than preserving American military preponderance. Infrastructure is harder to overturn than capability.

Two limitations warrant acknowledgement. First, the market-discipline mechanism operates under current conditions of dollar centrality; should those conditions change, whether through American policy choices that erode confidence in dollar-system governance or through technological innovation in payment infrastructure, the constraints may loosen. Post-2022 sanctions against Russia have simultaneously reinforced short-term discipline and created long-term incentives for alternative infrastructure, as McDowell (2023) and Farrell and Newman (2023) have documented. The AIIB's constrained revisionism is therefore a dynamic rather than permanent condition. Second, the structured comparison, whilst analytically productive, examines institutions in fundamentally different issue areas. Future research might profitably examine within-domain variation by comparing the AIIB with the BRICS New Development Bank, which faces similar market-discipline pressures but has displayed somewhat different responses, particularly following the Russia sanctions.

The confrontation of 2025 offers an unusually direct test of these claims. In October of that year Beijing announced a sweeping expansion of export controls on rare earth elements and dual-use items, including extraterritorial provisions requiring licences for goods manufactured outside China from Chinese-origin materials. Washington responded with a threatened additional tariff of 100 per cent, which would have brought the aggregate rate on Chinese imports to 130 per cent, alongside its own controls on critical software. The confrontation was resolved at Busan at the end of October, where China agreed to suspend the October controls and issue general licences covering rare earths, gallium, germanium, antimony and graphite, whilst the United States reduced tariffs and postponed the extension of its entity list to majority-owned subsidiaries, with the arrangement running to November 2026 (The White House, 2025). What matters for the present argument is the currency of the exchange. China's leverage was material: control over the extraction and processing of physical inputs on which American defence and semiconductor manufacturing depends. At no point did Beijing deploy a financial instrument. It did not liquidate Treasury holdings, restrict dollar clearing, or invoke the payment infrastructure it has spent a decade constructing, and the reserve data confirm why. A state whose currency accounts for under two per cent of world reserves, and whose share has been falling since 2021, does not possess a financial weapon to deploy. The episode demonstrates that

Chinese structural power is concentrated in supply chains and Chinese structural vulnerability in finance, which is the asymmetry this paper has sought to explain.

What of the future? The AIIB case suggests that Chinese institutional innovation will continue to operate within rather than against existing financial structures unless those structures are themselves undermined. The most significant threats to dollar dominance come not from Chinese challenge but from American policy choices: weaponisation of financial infrastructure through sanctions, inconsistent monetary policy, or failure to maintain institutional foundations of market confidence. China has demonstrated that it cannot easily escape dollar hegemony; whether the United States will inadvertently dismantle that hegemony through its own actions remains the open question. The AIIB thus serves as a diagnostic case for understanding the structural limits of rising power ambition. Finance, unlike security, punishes revisionism through market mechanisms that operate independently of great power intentions. Understanding these constraints, their domain-specificity, their self-enforcing character, and their independence from deliberate state action, is essential for accurately assessing the trajectory of Chinese foreign policy and the future of international order.

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