The Asian Infrastructure Investment Bank: Outlook and Implications

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Overview

• Background and context
• One Belt, One Road
• What we know
• Design and legal framework
Background and Context

• China and the international economic system
• China rising
• Lessons of the global and Eurozone financial crises
China and the international economic system

- Membership in existing system: IMF, World Bank, Asian Development Bank
- WTO accession experiences
- Trade and investment
China rising

• Increasing influence in existing institutions to reflect economic size
• Chiang Mai Initiative
• World Bank, ADB
• Development
• IMF governance
The lessons of the global and Eurozone financial crises

- Rebalancing trade
- Overreliance on the US dollar
- Restructuring the domestic economy: The middle income trap problem
- Taking its proper place in global economic affairs
One Belt, One Road

• 13th 5 year plan: MDBs, investment, RMB internationalisation, financial liberalisation
• New Development Bank (BRICS)
• OBOR: initial idea, subsequent development
• AIIB: 50b
• CDB, ABC, China Exim: 62b
• SDR inclusion
• Investment, trade
AIIB: What we know

- [www.aiibank.org](http://www.aiibank.org)
- “Lean, green, clean”
- 57 “Prospective Founding Members” (PFMs)
- Headquarters: Beijing
- Multilateral Interim Secretariat, Secretary General: Jin Liqun
- Chief Negotiators’ Meetings (3 so far)
- Articles: June 2015
- Establishment: end 2015
Design and legal framework: Issues

- Not the first new institution since Bretton Woods
- New Development Bank articles
- Purpose: infrastructure – private vs state? IFC vs World Bank model? ADB experiences
- Reflective of time (eg IFC, EBRD): 2008 UN Growth Report, Seoul Development Consensus
- Relations with other institutions / governments: Political / environmental mandates?
- Governance: Governors, Directors, President, Staff – major shareholders / veto?
Issues and prospects

• Bigger than anticipated
• More complex
• Role of developed economies
• Interactions with and implications for other institutions (ADB, IMF, World Bank, New Development Bank, CDB, ABC, China Exim)
• Building a new system?