Asian Infrastructure Investment Bank:

New Asian Opportunity or China's Hidden Strategy?

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Abstract: The Chinese-led Asian Infrastructure Investment Bank (AIIB) faces monumental challenges derived from institutional and financial accountability, as well as the ability to deliver on its promises of increased economic integration in the Asia-Pacific region. Nevertheless, China is resolute in cementing its economic position in the global market and expanding its regional influence. The main justification for instituting AIIB is to provide secured loans to underdeveloped Asia-Pacific countries ineligible to obtain funds through other global financial institutions. However, by lessening loan barriers, AIIB's approach threatens to give rise to regional economic volatility — a vice adamantly despised under the Bretton Woods system. The pivotal element that defines AIIB's outcome is a well-diversified cofounding member cohort insistent on implementing sound regulatory measures. AIIB needs a divergent membership that considers the socio-economic determinants of individual requestors, allowing for well-diversified and well-balanced opinions on operating

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principles. Without this element China might be subjugating its clients, the Asia-Pacific countries, to yet another form of manipulation that was shunned under the Bretton Woods system. Would this be another subtle attempt of Chinese influence for a stake in regional hegemony under a guise of alleviating the impoverished regions of Asia-Pacific? Transparency, emphasis on operating principles enacted with democratic accord and accountability should serve as guiding blocks of the well-diversified cofounding cohort. These measures would hold China to its vows of increased prosperity in the Asia-Pacific region, which it is attempting to deliver through AIIB. This paper examines the advantages of the AIIB as well as drawbacks that could place the Asia-Pacific countries into another “golden straitjacket” if these propositions are not taken into consideration.

Keywords: Asian Infrastructure Investment Bank (AIIB); China’s regional strategy; China’s hegemony; strategic influence; East Asia; neoliberalism.

Introduction: The New Player on the Field

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank whose founding members are developing its core philosophy, principles, policies, value system, and operating platform. They commit to build upon the existing developmental banking system and add a commercial aspect that is missing from mainstream institutions such as the Asian Development Bank (ADB), the International Monetary Fund (IMF), and the World Bank (WB). Chinese President Xi Jinping and Premier Li Keqiang have vouched to uphold the participatory processes and ensure a well-diversified nation-member cohort. Beijing accepted 57 applications to form the founding member core.¹ Yet, a few were turned down and the

¹Founding members are, in alphabetic order, Australia, Austria, Azerbaijan, Bangladesh, Brazil, Brunei, Cambodia, China, Denmark, Egypt, Finland, France, Georgia, Germany, Iceland, India, Indonesia, Iran, Israel, Italy, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Laos, Luxembourg, Malaysia, the Maldives, Malta, Mongolia, Myanmar, Nepal, the Netherlands, New Zealand, Norway, Oman, Pakistan, the Philippines, Poland, Portugal, Qatar, South Korea, Russia, Saudi Arabia, Singapore, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Tajikistan, Thailand, Turkey, the UAE, United Kingdom, Uzbekistan and Vietnam.

U.S., Canada, Japan, and Mexico declined to apply.² On June 29, 2015, 50 cofounding members signed an agreement to establish USD\$100 billion as the core capital of the AIIB with China owning 30.4 percent of the equity share, followed by India's 8.5 percent and Russia's 6.7 percent, with the remainder of 54.4 percent diversified among the remaining 54 members.³

President Xi stressed that the AIIB would complement existing financial syndicates and would avoid being structured to compete over markets with the IMF and ADB. The global consensus on removing the economic barriers that stunt underdeveloped nations' ascendancy and eliminating funding shortages to Asia's infrastructure calls for collective action. The USD\$8 trillion gap in Asian infrastructure is a clear indicator of this need. Can this nascent institution fill the void that has been present for decades? This is a question that AIIB needs to address to assuage our fears.

The prospects are great, and thus far China has been able to convince European financiers such as Germany and the UK. This in itself should serve as a clear indicator of the Chinese will to work in tandem with the rest of the major world powers. However, one needs to be reminded that President Xi's emphasis is on promotion of the country-led "Chinese Dream" that he successfully launched in 2012, as opposed to the well-known "American Dream" which is based on neoliberal thought and principles. Chinese desire for regional hegemony (or at least primacy) and increased attempts at seizing the Asian market by funding its own initiatives such as the "One Belt, One Road," the "Yangtze River Economic Belt," and the "Silk Road Fund" should not be overlooked. Should the Global North join this newly installed financial initiative to thwart these attempts to dominate the Asian market by limiting China's equity share? Or should they hedge their own financial prospects so as not to limit themselves from seizing new market opportunities in the Asia-Pacific?

²Taiwan was recommended to reapply for general membership only. North Korea was rejected at large due to their financial and economic volatility. In the Taiwanese case the reason is muddled in a dispute over sovereign origin (China sees Taiwan as one of its provinces), thus Taiwan is absent from WB, IMF and only holds a seat at ADB. See also "'No way North Korea' — DPRK refused entry to China-led AIIB," *Emerging Market*, March 27, 2015, <http://www.emergingmarkets.org/Article/3440430/No-way-North-KoreaDPRK-refused-entry-to-China-led-AIIB.html>.

³See the AIIB's Articles of Agreement, <http://www.aiibank.org/uploadfile/2015/0629/20150629094900288.pdf>, pp. 29–31.

AIIB vs. Bretton Woods: Time for Excitement or Apprehension?

Bretton Woods, the IMF, and the WB were established to stabilize international exchange rates and monitor trade with the single hope of eradicating poverty and inequality. The concept of supplying underdeveloped nations with much needed capital seemed stoutly convincing, yet it indirectly brought with it drawbacks such as exploitation of the peripheries, and an exponential growth of the wealthiest one percent. This influx of the “destructive impacts of unregulated financial capital [...] and the exponential growth of social inequality gave rise to so called new forms of *social fascism*.”⁴ Professor De Sousa Santos calls for a transformation of this power through long-term strategy and revolution; AIIB appears to feed into this “sense of civilizational paradigmatic change” by offering financial resources to the Asia-Pacific countries in an attempt to uplift their economies. I would, however, forewarn against this notion of concentration of “situated knowledge that gives way to a situated government,” and would call instead for a deeper understanding of the needs of the Asia-Pacific.⁵ These are just some of the daunting tasks AIIB is facing. The most challenging task remains the mitigation of funding shortages in the Asia-Pacific region, and the ability of AIIB to supply the region with the much needed financial support. The need for infrastructural funding is critical to uplift the economies and fill in the infrastructural gaps. Despite its grandiose prospects, AIIB may widen the inequality gap within the region if it is unable to deliver on its funding pledges.

Despite its grand ambition, AIIB will find it difficult to meet regional funding demand, and may even further widen inequality in many societies.

AIIB vouches to ignite the infrastructure and market economy of the Asia-Pacific peripheries through secured loans. The synergic model of a traditional multilateral development bank with aspects of the commercial sector is what sets it apart from the WB and IMF. Nevertheless, AIIB ought

⁴Boaventura de Sousa Santos *Epistemologies of the South: Justice against Empistemicide* (Boulder, Colo.: Paradigm Publishers, 2014), p. 27.

⁵*Ibid.*, p. 53.

to take into full consideration that, historically, underdeveloped nations were subjugated to exploitation by the top margin of the wealthiest one percent that dominated WB and IMF recipients. The need of financial security is thus prevalent. But the potential of mismanagement and misapplication of funds is still surmounting and something that should not be overlooked. AIIB reassures that its aim is to be more transparent and accountable and to uphold good governance through fighting corruption and hiring highly skilled staff; thus it will have no tolerance for hyper patrimonial and hyper meritocratic positions among its cohort.

AIIB calls for “multinational governance” that would eliminate the ambiguous and flawed rules of each individual constituency by overseeing its financial *modus operandi*. This is another aspect that sets it apart from any existing organization that attempts to serve a similar purpose. And even if we consider that the establishment of AIIB is to buttress China’s own “One Belt, One Road”⁶ initiative, the pros of the economic belt are that it would connect China to Europe, Southeast Asia, and the Middle East, enhance the market economy on a global scale, as well as open new inroads to the Asia-Pacific region.

Despite its pros, one must not forget that even if the entire USD\$100 billion pledge in investment that President Xi has pledged were channeled into the USD\$8 trillion infrastructure gap, it would not drastically reduce it. Instead, it could have dramatic consequences on widening the inequality of individual socio-economic strata. We should remain cautious when assessing AIIB’s potentials. Indisputably, productivity leads to a long-term structural growth and is also the only way of balancing the process of capital accumulation.⁷ AIIB states that the growth of the peripheries is its driving force. It aims at providing a platform for developing nations to increase their national capital through secured loans, and assists in funding and developing their economies.

Capital is the ultimate storage of wealth and also a major force of production. The prospect of seizing a substantial stake of an interest share, and most importantly the weight of decision-making votes that each

⁶Silk Road Economic Belt: connecting China to Europe; Maritime Silk Road: connecting China to Southeast Asia, the Middle East and Europe.

⁷Thomas Piketty, *Capital in the 21st Century* (Cambridge, Mass.: Harvard University Press, 2014), p. 228.

founding member will possess in the formulation process of the newly established bank is for each member superlative. Global integration brings with it huge advantages such as “international division of labor, which are so clearly proven by the theory of comparative advantage, but also brings dynamic benefits such as the economies of scale and the rapid spread of innovation from one country to another” which AIIB promotes.⁸ AIIB asserts that by fueling the market economies of the Asia-Pacific, they will be able to increase their production levels. The newly increased levels of productivity will create better living conditions. New infrastructure and developments will create new market contingencies. Influxes of foreign investment will increase, and the overall economic outlook of each individual borrower will significantly improve. The main difference between Bretton Woods and AIIB is the shift from a traditional humanitarian-aid model to a business-driven one that emphasizes revenue generation in the long run. The transformation from Bretton Woods’ past ill practices that hindered its successes is a clear indication that AIIB has taken note of the prior developmental failures. AIIB’s focus on a new business-based model that will hold each loan requestor accountable to deliver on its promises is what sets it apart from the WB and IMF. The newly created two-way accountability model that AIIB is setting up will serve both parties (the bank and the individual country requestor) well by holding them obligated to each other’s contractual promises. As earlier mentioned, AIIB differs from any other global developmental agency in its adoption of a business rather than a humanitarian-aid model; where the latter hindered economies of scale from developing and only created dependability on free grant resources. AIIB is not a free grant rider, but a commercial institution with only a few aspects of a multi-lateral development bank to ensure that development remains central to the core philosophy to narrow the infrastructural gap. This concept ought to push each loan requestor to fulfill their promises.

AIIB’s business-driven model is a clear shift from the Bretton Woods’ humanitarian-aid model.

⁸Jeffrey A. Frieden, *Global Capitalism: Its Fall and Rise in the 20th Century* (New York: W. W. Norton, 2007), p. 393.

Thomas Piketty, a French economist, once criticized the current state of the world economy by bringing to light the exponentially increasing levels of inequality that inflict global economies. The widening gap between poor and rich, local and global, periphery and center needs to be prudently addressed. The downward spiral toward condemnation of our own global economic progress is, otherwise, inevitable. The establishment of AIIB is attempting to precisely address these fears. Nevertheless, would this only further increase the social divide or alleviate the much-talked-of developmental gap that is exponentially increasing? AIIB is actively paving the way to becoming a leader of this change that will bring the much-desired eradication of global poverty levels, reduce inflation, and increase necessary infrastructure improvements.

The Chinese financial system has been undergoing fiscal decentralization, and an increased autonomy of state enterprises has been promoted. President Xi's focus is on the growth of the private sector, cuts in military spending, development of stock markets and emphasis on a modern banking system to increase foreign trade and investment. Despite the fact that China operates under the demise of a socialist market economy, the divergent core of AIIB is to follow modern banking modalities. The diverse cofounding member cohort will provide the financial philosophy based on varied economic activities, expertise in a wide range of organizational structures, bureaucracy and processes, thereby allowing AIIB to operate efficaciously. Yet, classical economic theorists would argue that an increase of trade and investment in the developing regions will ignite the diminution of income inequality if AIIB is brought to the forefront and allowed to finance the flow of capital into the regions.

An Initiative for Asia or Mainly for China?

The U.S.'s dismissive attitude toward AIIB could potentially hamper its market influence and strategic power in the Asia-Pacific. The regional interest that the U.S. might be losing is a significant factor. Particularly because not having a voice at the inception of such a conglomerate, as AIIB is poised to be, is crucial. A powerful Chinese economy could lead to a reduced economic impact that the U.S. would have on the global economy. U.S. economic fortunes could not only diminish but could end up being subjugated to the Chinese upper hand as well. The Global North appears to

be apprehensive of this and nations such as the UK and Germany have quickly seized their places at the table. If nothing else the European economic giants will check and balance the Chinese initiatives to acquire greater regional influence. The newly proclaimed approach of global collective security that AIIB attempts to emphasize could be perceived as another of China's furtive ways of securing its position as a regional hegemon. Is AIIB set on seizing new markets and further expanding its regional influence under the guise of enhancing collective security? The U.S. is particularly wary of this potential; yet it should not separate itself from shouldering a part of global responsibility in this respect and idly sit on the sidelines.

It appears that AIIB subscribes to the neoliberal theory of economic growth and the trickle-down effect. But does it "point to a new kind of strong state involvement in an economic development on a multilateral level that is based on public and private partnerships, and wealth redistribution? [...] And which is not based on universal rights, but rather on significant, means-tested money transfers targeted to vulnerable social groups?"⁹ Only time will reveal if the genuine interest of AIIB is to redistribute wealth through secured loans and to elevate the Asia-Pacific's peripheries or if it is just a furtive Chinese attempt to exert its influence in the region, as the U.S. perceives. Thus far, what AIIB has skillfully accomplished is in getting (most of) the world to jump on the bandwagon, and become a part of this greater global responsibility toward enhanced collective security with common interests at its core.

The neoliberal theory, the Bretton Woods system, and the Washington Consensus, all brought with them hopes and disappointments for developing nations. The WB was established to uplift economies through free market policies and abolition of trade barriers. Likewise, the IMF was to provide financial support to the peripheral economies of the global South. On the other hand, the ADB attempted to financially assist the Asian periphery. Yet what was left from the WB and the IMF was

Proclaimed as a new approach to enhancing collective security and common interest, AIIB is perceived by many as a furtive Chinese attempt to expand its regional influence.

⁹De Sousa Santos, *Epistemologies of the South: Justice Against Empistemicide*, p. 24.

only conditional loans and widespread capitalism that merely further hampered the development of the developing world. These failures should serve as lessons to guide the founding members in ensuring that the board of AIIB establishes at its core, a fundamental set of policies that would prevent this from reoccurring. AIIB pledges to collaborate with existing multilateral developmental banks and the private sector to prevent maladministration, mismanagement and misconduct.¹⁰ The recently published anti-corruption laws in China seem to be a good indicator. The type of cooperation that we want AIIB to avoid is that where ideology is prevalent in the center-periphery of the modern world, “dominated by double-standard[s], structural adjustment, unequal exchanges and forced alignment.”¹¹

The ability of President Xi’s administration to curtail China’s past high levels of bribery and nepotism is a good indicator that AIIB is attempting to address any deficiencies with strong anti-corruption laws. But would this be enough to ensure financial transparency and the achievement of good governance? President Xi fervently seeks trust from AIIB members to form an exchange of multilaterally financial cooperation and a global alliance that would link and further intertwine global economies. As it stands, China is the world’s largest contributor to global growth due to its size and manufacturing nexus. AIIB’s vision of interconnectivity could very easily bring with it interdependence and reliance on resources, capital and subsequent merger of economies. This could give rise to right-wing militarism and bring forward into action the evil vices of militarization to protect the nation-state.¹² AIIB invalidates this and stresses that “collective security” is precisely what it is aspiring to in an attempt to develop the unprivileged peripheries of the Asia-Pacific. Additionally, the speed and scale at which international financial markets operate could create a volatile flow of money, causing an increased risk to international economic integration, which could hamper the core of AIIB.¹³ This is precisely why the U.S.,

¹⁰See AIIB Secretariat’s official website, <http://www.aiib.org/>.

¹¹Luc Boltanski and Eve Chiapello, *The New Spirit of Capitalism* (New York: Verso Books, 2005), p. 31.

¹²Manfred B. Steger, *The Rise of the Global Imaginary: Political Ideologies from the French Revolution to the Global War on Terror* (Oxford, UK: Oxford University Press, 2008).

¹³Frieden, *Global Capitalism: Its Fall and Rise in the 20th Century*, p. 464.

Canada, Japan, and Mexico refused to join. On the other hand, the more integrated the Chinese economy is, the more stabilized the world economy is due to China's economic power. Greater global responsibility that AIIB is aiming for is a key component to overall regional stability.

Nevertheless, we should not subjugate ourselves to see politicians as veracious agents of society's well-being, nor overlook Keynes' prism and forewarning of the notion of "shortsighted, grasping, and dishonest" attributes that they possess.¹⁴ We should also not forget to contest that our current political systems cannot function without political platforms and financial institutions that lend their voices. The core of a strategic alliance is based on mutual recognition and trust. So far AIIB is cultivating it. One example is the fervor of applicants (particularly Germany, and the UK) that joined AIIB's founding cohort. It could be said, though, that the ardor was synthetically evoked by the fear of losing out on the prospects of future trade partners, and hedging of the capital prospects.

Criticism of the global North's membership within the cofounding cohort is that a Eurocentric perception will be embedded into AIIB's core philosophy and its operating platform, which could suppress the voice of the Asia-Pacific peripheries. However, I would argue that the potential of diversified opinions among the divergent cohort on operating principles increases the possibility of less marginalized outcomes. The cultural understanding of working methods, processes, and philosophy of the Asia-Pacific is imperative in aiding them financially. This should serve as a springboard in financing their infrastructures and eliminating any latent threats of failure. I would urge AIIB to not only structure their core philosophy around *modus operandi*, but also around the socio-economic determinants of individual requestors, to secure their ability to deliver on their promises. Otherwise, they are setting them back on a downward spiral with only platonic hopes.

AIIB's core concept is to promote interconnectivity and economic integration in the region, which inevitably invokes the neoliberal thought of capitalism. The precarious issue we are facing is that there might not be a way out of capitalism; nor a suitable alternative to it. AIIB must thus

¹⁴*Ibid.*, p. 151.

employ all efforts in being apprehensive of its neoliberal ideology and eliminate any latent extremist thoughts to ensure that the path that Bretton Woods followed will not be trodden down again. AIIB must work hard to prevent loan mismanagement and to secure its pledges of regional interconnectivity and economic integration toward an enhanced regional prosperity.

AIIB ascribes to provide much-needed financial support to the Asia-Pacific to build infrastructure, enhance the energy, power, transportation, telecommunications sectors and promote agriculture, development, water supply and sanitation, as well as enhance environmental protection. Furthermore, it seems that the Asia-Pacific is attempting to address the problem of absence of an alternative society that could challenge the current state of affairs through the establishment of AIIB. AIIB aims to provide funding to build individual nations' capacity to increase levels of productivity by fueling the economy with financial assets to increase the levels of skill and technology that were lacking in the past. In addition, AIIB argues that because of this lack the potential of the global South's market economy has stagnated and fallen behind the developed West. To overcome this predicament, diffusion of knowledge is also a key to unlocking the global South's potential. AIIB has been vouching to do precisely that through financing infrastructures to further extend opportunities to the nations in need. AIIB is aiming at enhancing economic integration, advancing innovative developments, and regional economic prosperity.

While promoting regional interconnectivity and economic integration, AIIB must be mindful of its neoliberalist trends and try to prevent loan mismanagement.

However, AIIB should not be reckless, but instead prudently assess the tangible needs of requestors to prevent loan mismanagement. Increasing funding to the middle and lower classes and incentivizing development of new infrastructures and industries dilute the concentration of wealth among the entire working strata. In theory this should be sufficient in coping with inequality, but we should not forget that a wealth-seeking China is the founder of AIIB. The connotations of its mercantile inclination could be underpinning the overarching notion of global responsibility.

The U.S.'s Missed Opportunity and AIIB's Geographical Impacts

The U.S. should not take a defensive stance and isolate itself from the potential of collaboration on a bigger scale with a rising China. What the U.S. can bring to the table is precisely what China is lacking: diversification and the strengths of a member with a strong market economy. AIIB is seeking the participation of as many countries as possible, diverse as they are, in order to obtain much needed capital.¹⁵ So far the only defensive nations were the U.S. and Japan. Their allegiance to each other, with shared interests in financial syndicates, the IMF and ADB, respectively, and joint support of each other in order to secure not only their strategic positions, but also ensure financial grip in the region against the China conglomerate, is visibly enunciated. However, they both might have just isolated themselves from having a vital voice in the Asia-Pacific region by not subscribing to the general consensus and not applying for membership within AIIB founding-member echelon.

By its passivity, the U.S. might have just created space for China to steer its strategic placement and increase its regional economic dominance. Allowing China to become AIIB's major equity shareholder, and letting it set the pace in driving the cofounding members toward its inflicted vision of market investments, could be a decision that the U.S. comes to regret. The loss of a stake in foreign investment that could have further advanced the U.S.'s Asia rebalance initiative was not given sufficient prudent consideration. Instead, its rather hasty defensive stand might bring about potential repercussions that could lead itself to become insidious. The U.S. might have just missed an opportunity to further position itself in Asia by sitting idly and watching the regional economic power take over. The prospect of balancing China's influence in the region by being a cofounding member is what the European nations saw and took action for. With the U.S. remaining on the sidelines and merely observing what the future might bring, the success of its Asia rebalance initiative may also be impacted. Nonetheless, it is not too late to reconsider and join the AIIB later, when regular membership is open for admission. It will not come with the same privileges that the cofounding members can benefit from, yet it will provide the U.S. with substantial ground. It will also allow

¹⁵Frieden, *Global Capitalism: Its Fall and Rise in the 20th Century*, p. 428.

the U.S. to keep its financial voice in the Asia-Pacific and remain active through its Asia rebalance initiative as opposed to idly observing the regional shifts. Both aspects are crucial in forestalling the possible scenario that the Chinese might dominate, and in deterring any attempts at a regional hegemony.

In addition, we should also not take AIIB's propositions of market integration at face value, but rather investigate its origins. China has its self-interest at heart and through establishment of AIIB is ensuring financing of its "One Belt, One Road" initiative, which has two components of the land-based Silk Road Economic Belt and the Maritime Silk Road. If we fail to recognize these self-interested initiatives, we might just be subjecting ourselves to being manipulated by the demagoguery of AIIB's rhetoric. It is this vigilance we should keep in mind when assessing the pros and cons of AIIB, and its prospects of a diversified financial institution to secure the interests of the Asian periphery. U.S. membership in the cofounding member cohort would have not only tamed any latent attempts at funding these initiatives as a priority, but would have also held the other members to their pledges. The check and balance modality that the U.S. could have offered is what the remaining members need to strive for, in the hope that not having the world's largest economy at its core will suffice for the AIIB.

President Xi vowed to start up AIIB with a USD\$100 billion contribution by the founding members, and pledged to deliver its results more effectively, than the prior models of global financiers — WB, IMF and ADB — which he aspires to transcend. AIIB appears to be "well aware that the globalized economy produces more economic insecurity and is prone to volatility."¹⁶ However, President Xi's diplomatic outreach and call for multilateral cooperation seem to be pushing this fear to its shadows. The nascent development of AIIB brings skeptics, such as Japan, that declined to join due to a concern of debt sustainability, and environmental and social safeguards. The U.S. is not far behind its Japanese ally. Nevertheless, some experts expressed that the "bank has more advantages than other

¹⁶Guy Standing, *The Precariat: The New Dangerous Class* (New York: Bloomsbury Academic, 2011), p. 175.

financial institutions.”¹⁷ These endorsements curb the aforementioned fears as the influx of applications for membership rushed in. Additionally, China is proving to be a global player by having not only the world’s second largest economy, but also being the world’s largest exporter and country possessing the largest amount of foreign exchange reserves. This is an exciting moment in history that brings with it new levels of aspirations for the global South’s periphery. Martin Jacques, a senior fellow in the Department of Politics and International Studies at Cambridge University, called the founding of AIIB an “exciting moment” in history and said “the U.S. has been taking a defensive stance on the issue and [has become] more and more isolated.”¹⁸

We should certainly not overlook this “exciting moment” but we should also keep in mind that even though China is one of the world’s biggest economies, domestic economic disparity is rampant. Shanghai was home to “more than half of the Fortune 500 companies in 2000, but there are still nearly two hundred million Chinese living in poverty.”¹⁹ Should we take lessons from an Asian giant that still has trouble solving its own domestic volatility, but is eager to engage on a global scale in what appears to be moved to secure its position of increasing power? Is this President Xi’s subtle way of strengthening his ties among developing nations economically to ensure interdependence? China is the second-largest economy and would do anything to maintain its economic primacy in the Asian region. The U.S. should not idly sit on the sidelines and neglectfully watch the global player become a global power. By then, it would be too late to chase after the lost prospects.

AIIB is aiming to extend funds to any requestor that is turned down by the IMF and ADB. This is particularly alarming, because the IMF and ADB

The U.S. has missed a good opportunity to balance China’s economic role by sitting idly through the initial stage of AIIB.

¹⁷“Establishment of AIIB to Bring Myriad of Advantages: Expert,” Xinhua News, April 4, 2015, http://www.chinadaily.com.cn/business/2015-04/04/content_20000855.htm.

¹⁸Zheng Yangpeng “Countries Rushing to Join AIIB,” *China Daily*, March 30, 2015, http://usa.chinadaily.com.cn/world/2015-03/30/content_19945268.htm.

¹⁹Frieden, *Global Capitalism: Its Fall and Rise in the 20th Century*, p. 470.

deny funding to these requestors due to their volatile economies, non-transparent practices and autocratic state-rules. As it stands, AIIB is, thus far, offering only obscure promises of working more efficiently, upholding transparency and accountability. However, can and will it be able to uphold these modalities? To make AIIB more governable and accountable, I would suggest emphasizing the financial transparency of both entities: AIIB and the borrower. One of the conditions for the borrowing countries could be the application of the progressive capital tax, along with a concrete outline of how they are to manage the borrowed funds. Additionally, periodical follow-ups that disclose the borrower's fiscal ledgers, what projects were funded with the financial support, how funds were applied and distributed, and so on, would be one of the requirements to obtain new loans. This would help ensure that funds are not misused, or misrouted to the top one percent of the borrowing country's population, and that balanced national growth is promoted.

AIIB already subscribes to the notion of procurement of environmental and social frameworks, which both enhance growth and lead to decrease of inequality. Our connexionist world is haunted by a very acute tension between the proximate and the remote, and the local and global regions.²⁰ Economic and political changes are inextricably intertwined and must be studied together to ensure that the connexionist world remains inclusive of all members across social strata.²¹ By having AIIB establish a multinational cohort of founding members, this appears to be upheld and in alignment with the notion of bridging the gaps between the proximate and the remote.

Having sound and solid core principles that are upheld by all requestors is also imperative. Financial terms and structural processes need to be carefully analyzed and assessed to form a set of rules that fit the Asia-Pacific countries. No nation is alike, and the application of a one-size-fit-all model is unrealistic. In many countries globalization has meant a hastened deterioration of local cultural roots and the invasion of ways of thinking and acting that are proper to foreign cultures, which are economically

²⁰Boltanski and Chiapello, *The New Spirit of Capitalism*, p. 362.

²¹Piketty, *Capital in the 21st Century*, p. 577.

advanced but ethically debilitated.²² There are similarities that assist us in measuring individual national market strengths, but to conceive that a single model will suit and accommodate every nation equally is asininity. Establishing a set of sound and solid principles to anchor AIIB's *modus operandi* should be the cofounding members' prerogative, without which the AIIB's intended goals will be in jeopardy.

AIIB aims to fuel industries with financial capital to fund energy and agriculture. This will indisputably open up new facets of growth potential to the emerging regional markets in the form of new jobs, developments, technology, and further influx of foreign investment. The latency of outsourcing is another peril that goes hand-in-hand with profitability and extraction of financial

Sound and solid core principles are necessary for AIIB's intended goals to be realized.

resources. Once the developing nations raise their capital inflows, and new markets are inundated, the likelihood of what happened with Bretton Woods is high. Would then the creation of AIIB be just another global re-shifting of powerhouses that are aimed to only further embrace neoliberalism? AIIB has not provided a concrete plan on how it will prevent similar hardships that the Bretton Woods system gave rise to. The U.S. absence among the cofounding member echelon is limiting AIIB in assessing the risk factors and preventing such crisis recurrence.

The trickle-down theory of the 1980s has proven to be largely a fallacy. Yet, it seems that this is precisely what AIIB aspires to follow by promoting its model of market integration and further expansion of global interconnectivity. Recall Polanyi's forewarning that "the meaning of freedom becomes as contradictory and as fraught as its incitements to action are compelling and thus degenerating into a mere advocacy of free enterprise."²³ Will the Asia-Pacific region be truly free to use AIIB's extended funds unreservedly or will they be constrained to some forthcoming

²²Pope Francis I, Excerpt from *Evangelii Gaudium* [The Joy of the Gospel], p. 62.

²³David Harvey, *A Brief History of Neoliberalism* (London, UK: Oxford University Press, 2005), pp. 36–37.

stipulations that AIIB is not disclosing? AIIB comes with enormous potential, but also with a few perils that should not be overlooked.

History repeatedly proves to us that economic integration depends on prosperity.²⁴ And thus we should welcome the prospects that AIIB brings and embrace the potential for the enhancement of infrastructures that would offer new possibilities to economies in distress. We should, however, be apprehensive of the potential backlash that could lead to a similar precarious circumstance that the WB, IMF, and WTO gave rise to in the 1980s and 1990s, and that placed the world in a “golden straitjacket.”²⁵ AIIB pledges to offer integrated economies and enhanced interconnectivity that will bring with it the hopes of enhanced prosperity in the region. But we should be apprehensive of the figurative implications of such speech and just as “justice globalists would be skeptical of the draconian terms of the neoliberal policies that could spell out a new form of colonialism” we should critically hold AIIB accountable to the deliverables they ought to aspire to.²⁶

AIIB endorses the New World Order and its “inexorable integration of markets, nation-states, and technologies in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper.”²⁷ But is this the outcome that we want to pursue on a global scale, considering what is happening in the Eurozone? The economic prospects are great, but so are the perils. The U.S. is holding back from joining AIIB as it is apprehensive of the downward economic drift that could harm economies on a global scale. The U.S. also wants to maintain its upper hand and major shareholder stake at the WB which currently controls the global market economy. The fear of undermining its vested power as a foreign policy tool by joining AIIB is what holds the U.S. back. But was this decision thought out from all vantage points? Would this cause a deeper polarization of the global market economy since the global

²⁴Frieden, *Global Capitalism: Its Fall and Rise in the 20th Century*, p. 472.

²⁵“Golden straitjacket” is a term coined by Thomas Friedman in the early 20th century. It refers to a degree of relinquishment of economic sovereignty that developing countries have to sacrifice to global institutions, such as the IMF, WB and ADB.

²⁶Steger, *The Rise of the Global Imaginary: Political Ideologies from the French Revolution to the Global War on Terror*, p. 190.

²⁷*Ibid.*, p. 186.

giant, the U.S., refused to join? Only time will reveal the ramifications, but as it stands on June 29, fifty countries gathered in Beijing to sign the agreement and push this initiative forward.

Conclusion

One lesson that AIIB's founding members ought to learn from the "Shultz-Volker proposals that augmented the Bretton Woods system is that limited measures will not succeed in a world of unlimited capital mobility."²⁸ The established USD\$100 billion capital AIIB is providing for the global South is an enormous resource.²⁹ One way to secure well-balanced management and to restrain Chinese regional influence would be by vigilantly demanding concrete policy proposals that all members uphold. Solely "changing institutional structures without generating new convictions and attitudes only ensure that those same structures will become, sooner or later, corrupt, oppressive and ineffectual."³⁰ It is vital that AIIB establishes its core philosophy with this concept in mind and that the 57 founding members hold the primary shareholders accountable. One measure that would work toward this end would be application of Piketty's progressive capital tax, and not lending to countries that are under a martial law.

Furthermore, transparency and a pronounced emphasis on democratically enacted operating principles with accountability measures accompanying the guiding blocks of *modus operandi* should be the core values of the cofounding member cohort. A well-balanced and variegated core of AIIB would serve to prevent mismanagement and corruption as well as any one nation's stake at a regional hegemony, and thus diffuse any abeyant threats of prospective monopolization of industries, private sectors and exploitation of underdeveloped regions of the Asia-Pacific.

Additionally, we should not constrain our expectations of AIIB to the IMF and ADB's prior shortcomings, and instead regard that "people do,

²⁸Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, 2nd Edition (Princeton, N.J.: Princeton University Press, 2008), p. 191.

²⁹Swaminatha S. Anklesaria Aiyar, "Why US Allies Are Happy to Join China's AIIB," *The Diplomat*, June 30, 2015, <http://thediplomat.com/2015/07/why-us-allies-are-happy-to-join-chinas-aiib/>.

³⁰Pope Francis I, Excerpt from *Evangelii Gaudium* [The Joy of the Gospel], p. 189.

indeed, learn from past mistakes, and societies will thus continue to modify and monitor their economies in pursuit of shared goals.”³¹ AIIB aspires to, and thus far has been able to, convince Europe’s financiers. Nevertheless, this does not come guilelessly. It is a notion that ought to be continuously demanded. The new prospects of enhanced market economy and the contingencies of increased prosperity for the global South outweigh the cons by a wide margin. To prevent mismanagement, the divergent member cohort must serve as its sentinel. Development is irrepressible and the U.S. might have just placed itself on the sidelines. Nonetheless, I would urge the mantra of AIIB to be “money must serve, not rule!”³² These words should remain constant in the founding members’ minds and ground their decision-making apparatus.

³¹Joyce Appleby, *The Relentless Revolution: A History of Capitalism* (New York: W.W. Norton, 2010), p. 436.

³²Pope Francis I, Excerpt from *Evangelii Gaudium* [The Joy of the Gospel], p. 58.