

Asian Infrastructure Investment Bank (AIIB) - Structure, Purpose and benefits



Introduction

AIIB is projected as an alternate international financial institution for World Bank, IMF and ADB from China. AIIB provides long-term finance to develop infrastructure in the developing nations of the world especially in the Asia Pacific.

What is AIIB?

- AIIB is a multilateral development bank proposed by Mr Xi Jinping, President of China in Indonesian Parliament in October 2013
- 21 founding members signed the bill to open AIIB
- AIIB was established on 24th October 2014
- Head Quarters located in Beijing, China
- The corpus fund is \$100 billion with China as the majority shareholder
- AIIB will enhance integration and interconnection process of economic development in the region

list of Banks under this category

- Asian Infrastructure Investment Bank
- International Monetary Fund
- New Development Bank – BRICS
- Asian Development Bank
- World Bank

Founding Members

- China

- India
- Singapore
- Thailand
- Pakistan
- Malaysia
- Philippines
- Nepal
- Cambodia
- Brunei
- Vietnam
- Oman
- Sri Lanka
- Kazakhstan
- Qatar
- Uzbekistan
- Myanmar
- Bangladesh
- Laos
- Since establishment, 13 additional members have joined AIIB
- Now, Total members of AIIB is 57
- President of AIIB is Jin Liqun
- G7 and developed nations are not members of AIIB

Purpose of AIIB

- Aims to develop infrastructure in Asian countries
- ADB estimates that nearly \$13 trillion is essential for economic development of Asia
- AIIB will help in networking Asian nations to boost trade

Benefits to China

- AIIB will broaden the regional infrastructure scheme of “One Belt, One Road” (OBOR)
- OBOR aims to expand all forms of transport – water, road, air and rail from China to Asia, Europe and the Middle East
- Propagate Chinese Renminbi in the international economy
- AIIB will enable China to play a major role in Asian Affairs
- AIIB uses the opportunity of the declining US economy to become a global figure in place of World Bank and IMF
- In the name of Infrastructure development, China strengthens its trade routes with its neighbors and Asian ally nations like Laos (Kunming-Singapore Railway)
- China and its allies like BRICS form an alternate to the 70 year supremacy of US and allies in the global economy

Concern Areas

- Environmental hazards like to happen in the name of infrastructure development
- Chinese infrastructure development in Indonesia has witnessed deforestation to a large extent
- Infrastructure development will result in increasing the pollution level further
- Controversial proposals of AIIB including railway track through Mount Everest and a railway line passing through the middle of the Amazon forest
- Ecological disturbance will occur
- Habitat loss for many species as a result of infrastructure development
- Chinese bank projects earlier have seen the worst record of environmentally friendly behaviour

Way Ahead

- AIIB shareholding pattern is to be streamlined
- China is having disputes with many nations who are members of AIIB like India, Vietnam etc.
- The real challenge of AIIB is keeping aside the disputes and coping with each other for overall development of Asia
- Leadership of AIIB
- Regulatory bodies of AIIB to be established