

**THE ASIAN INFRASTRUCTURE
INVESTMENT BANK:
IMPLICATIONS AND RISKS**

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Executive Summary

1. China's strong push for its "One Belt, One Road" (OBOR) initiative is backed up by its establishment of the Asian Infrastructure Investment Bank (AIIB). The AIIB and the OBOR initiatives have given China leadership roles in the region.
2. The creation and operations of the AIIB should be interpreted in the context of the emergence of China as a rising global power and its aspirational geostrategic goals and interests.
3. The AIIB will increase China's geo-economic influence in the region and facilitate its push for outward investment globally. China is winning over many developing countries in Asia, Africa and Latin America with preferential loans and grants for infrastructure development.
4. With the forging of close ties via the OBOR initiative, China believes that regional integration could be achieved by boosting infrastructure connectivity, cross-border capital, trade and investment flows and establishment of free trade areas.
5. The bank will channel Chinese capital to both intraregional and inter-regional infrastructure connectivity projects in Asia and beyond. Multi-million infrastructure projects covering transportation, energy, power plant, telecommunications, logistics and others will be generated for needy developing Asian countries.
6. With these strategic infrastructure development projects, China will deepen its involvement in the domestic economic development of other Asian countries, thereby influencing foreign policymaking of Asian nations.
7. Whilst the setting up the China-led AIIB as a rival to the ADB and World Bank has been relatively smooth, running the bank may be a challenge.

8. To ensure its success, the AIIB must be accountable to its shareholders and its clients. For the AIIB, investing in large-scale cross-regional infrastructure projects will be a highly risky business, from both a political and economic perspective. For borrowing countries, the domination of China in the AIIB is a concern.
9. The success of the AIIB's operations largely depends on the cooperation of other member states. This will constrain any attempts by China to advance its national interests or unilaterally change the existing international financial system. It will also stifle China's ability to establish a Sino-centric financial and economic order that would give China a free rein in regional development.