

**CHINA'S ASIAN INFRASTRUCTURE
INVESTMENT BANK:
EAST ASIAN RESPONSES**

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Executive Summary

1. Chinese President Xi Jinping's bold proposal of a Chinese-led Asian Infrastructure Investment Bank (AIIB) to fund and spearhead regional infrastructure development and economic growth at the APEC meeting in Bali in October 2013 can be interpreted as China seeking to play a political and financial role in Asia commensurate with its rising economic power.
2. With eight more years left in office, Xi Jinping has sufficient time to promote his AIIB and silk road ideas and turn them into reality.
3. Chinese Finance Minister Lou Jiwei explained that as capital is abundant in Asia, the AIIB will fill the vacuum of a mechanism to channel capital for Asian development.
4. China is prepared to contribute up to 50% of the total investment in this regional bank and revise it accordingly when more countries participate in the AIIB. Nevertheless, China will remain the largest investor and concomitantly the largest voice in the new bank.
5. The AIIB can also be interpreted as China's ambitious plan to shape a new financial architecture in East Asia. The AIIB is likely to enhance China's influence and prestige in East and South Asia's political economy at the expense of the United States and Japan.
6. Conceivably, the AIIB can provide tangible benefits to Southeast Asian countries and soften and sweeten their outlook towards China despite rising Chinese assertiveness over territorial disputes in the South China Sea.
7. The AIIB proposal also reflects Chinese confidence in its own development model based on heavy infrastructure investment and export-led growth to achieve rapid and sustainable economic development, and the sharp reduction of poverty.

8. Japanese responses to Beijing's invitation to join the AIIB are generally cautious and lukewarm; it perceives the AIIB as a rival to the Japanese-led Asian Development Bank. Tokyo, a loyal ally of the United States, is also aware that Washington is against Beijing's AIIB proposal.
9. Seoul has shown deep interest in the AIIB proposal but has outwardly adopted a cautious stance to avoid offending the United States, an ally who protects it from North Korea. Mindful of negative US sentiments towards the AIIB, the apparent South Korean strategy is to join the AIIB only after Australia, another close US ally, has done so.