ASIAN INFRASTRUCTURE
INVESTMENT BANK

Industrial Policy, Multilateralism and MDBs

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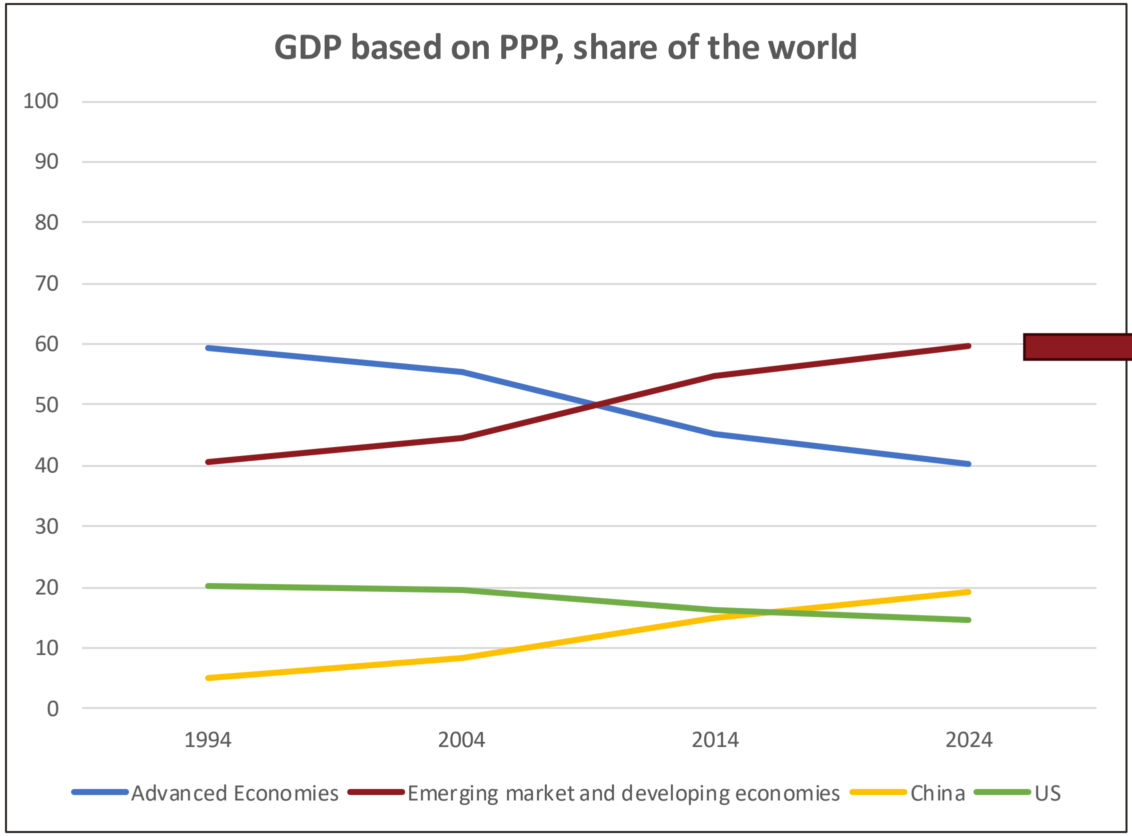
Jan 10, 2025

PHOTO: SEMBCORP

Growing Relevance of Emerging Economies



Source: IMF Database, 2024

Emerging economies account for about 60% of the world GDP.

By country	GDP, % of the world (2024)	Largest economies in 2050
China	19.05	China
US	14.41	India
EU	13.37	US
India	8.23	Indonesia
Russia	3.55	Brazil
Germany	3.09	Russia
Japan	3.38	Mexico
Brazil	2.42	Japan
France	2.24	Germany
UK	2.2	UK

Sources: IMF and PwC for projections 2050
Blue = Emerging markets and developing economies

Challenges and risks of industrial policies for international economy

Transmission Channels

1. Trade / Finance Channel
2. Productivity / Efficiency Channel (Government picking winners, knowledge)
3. Political economy uncertainties / policy incentives
4. Global public goods

Growth

Stability

Well-being

Implications on international economy and multilateralism

- ❑ Trade openness (WTO)
- ❑ Macro stability / Balance of payment (IMF)
- ❑ Development finance (MDBs)
- ❑ Global coordination agencies (COP, UN)

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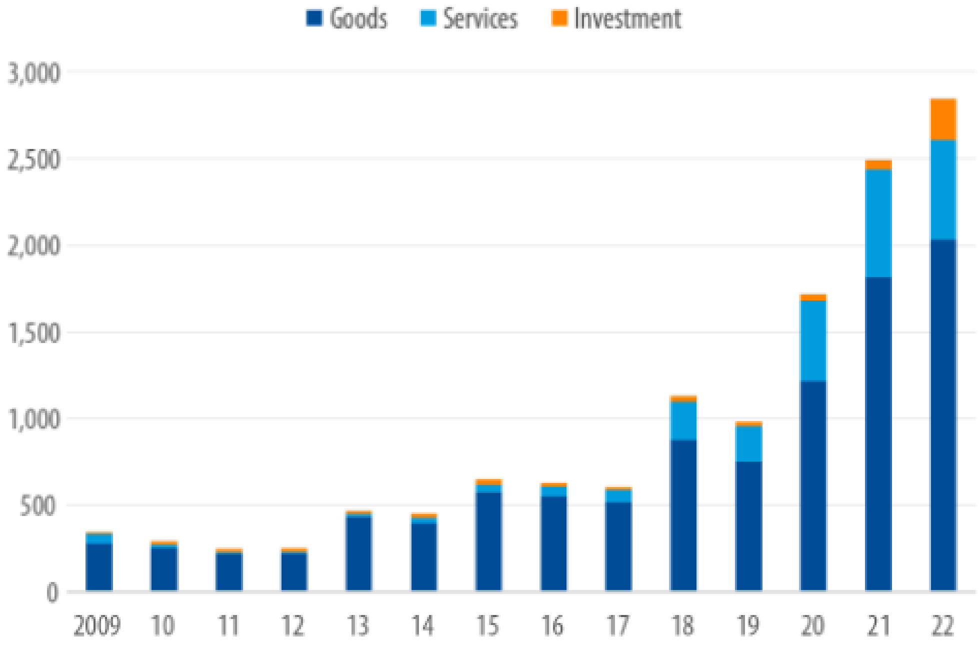
1. Rising trade restrictions more costly for developing countries

Chart 1

Explosion in trade restrictions

After declining during most of the 20th century, restrictions on trade have greatly increased in recent years.

(number of trade restrictions imposed annually worldwide)



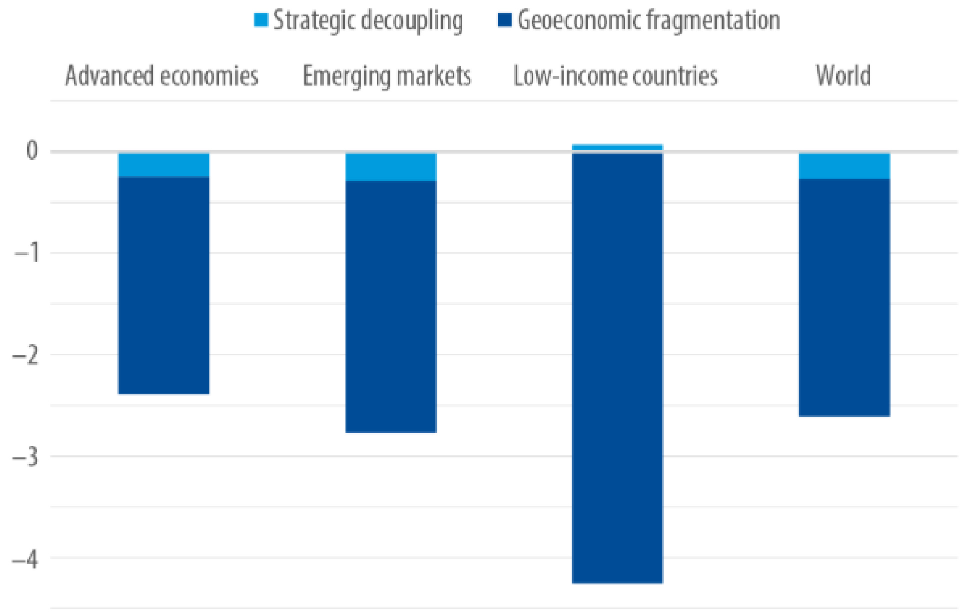
Sources: Global Trade Alert; and IMF staff calculations.

Chart 2

The costs of fragmentation

A world split into two exclusive trading blocs would result in permanent losses to global GDP, most severely in low-income countries.

(permanent real GDP losses, percent)

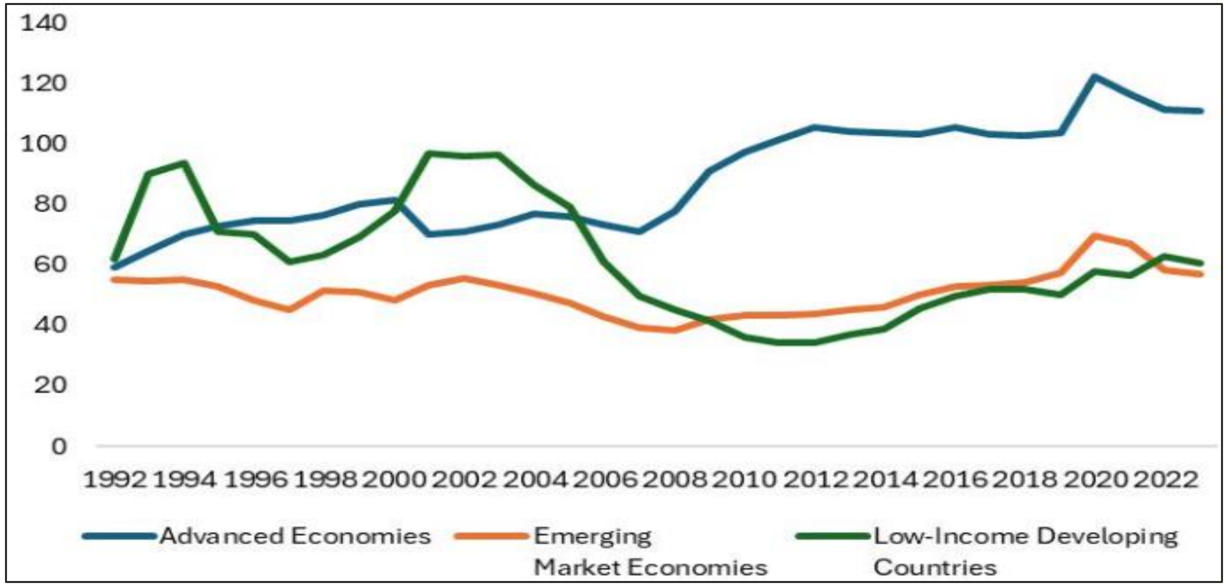


Source: Bolhuis, Marijn A., Jiaqian Chen, and Benjamin R. Kett. 2023. "Fragmentation in Global Trade: Accounting for Commodities." IMF Working Paper 2023/073, International Monetary Fund, Washington, DC.

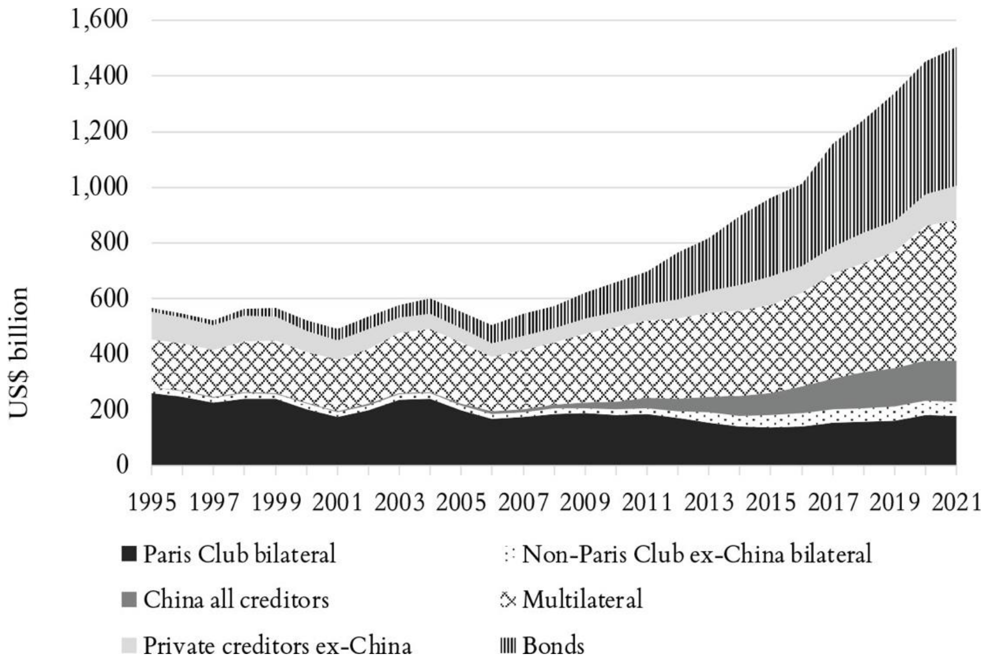
2a. Macro stability and debt

- Debt sustainability important for growth and prosperity
- Public debt highest for G7
- MDBs account for a large share of developing country debt

General public debt ratio by country group

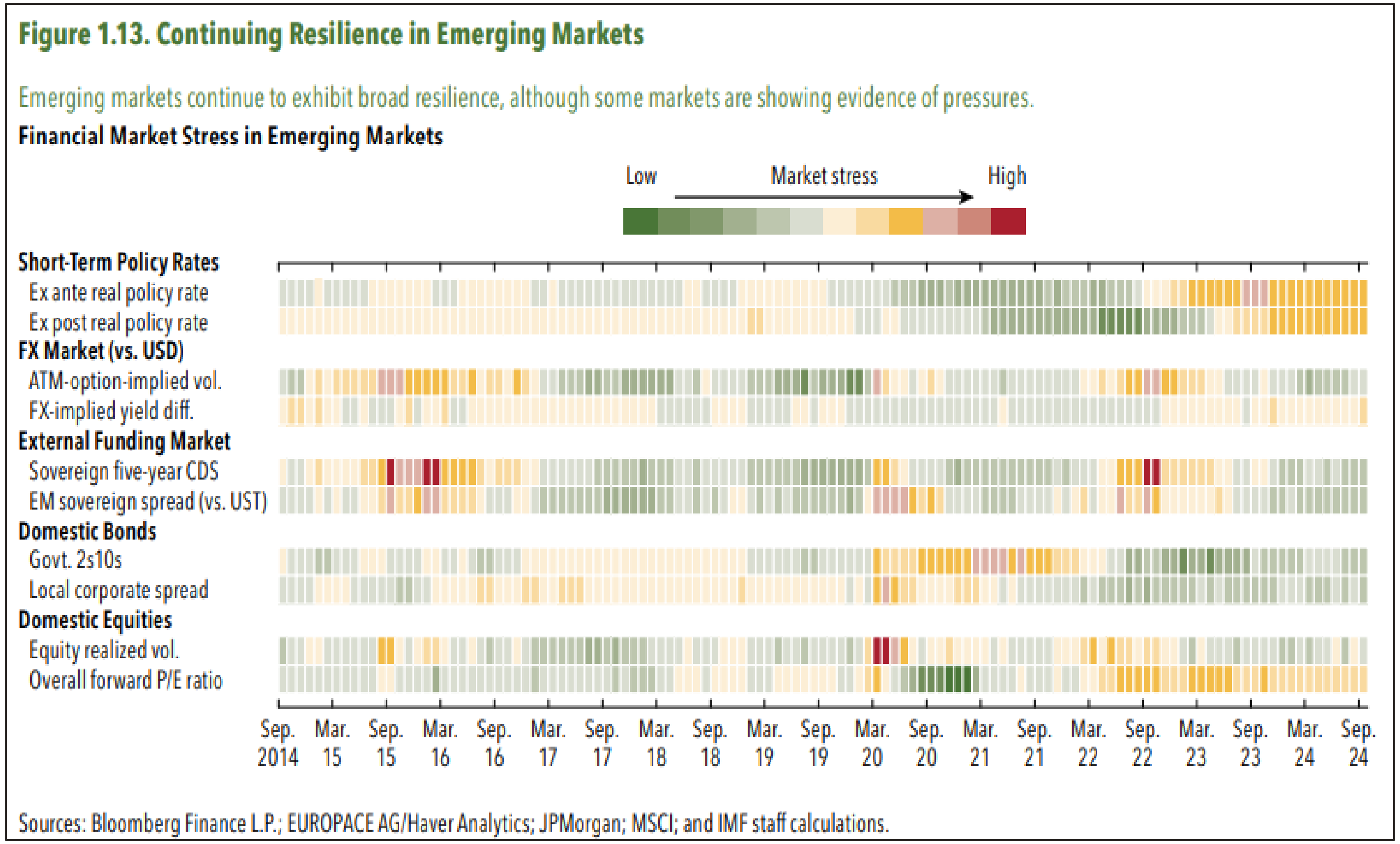


External public and publicly guaranteed debt by creditor, low- and lower middle-income countries, 1995–2021



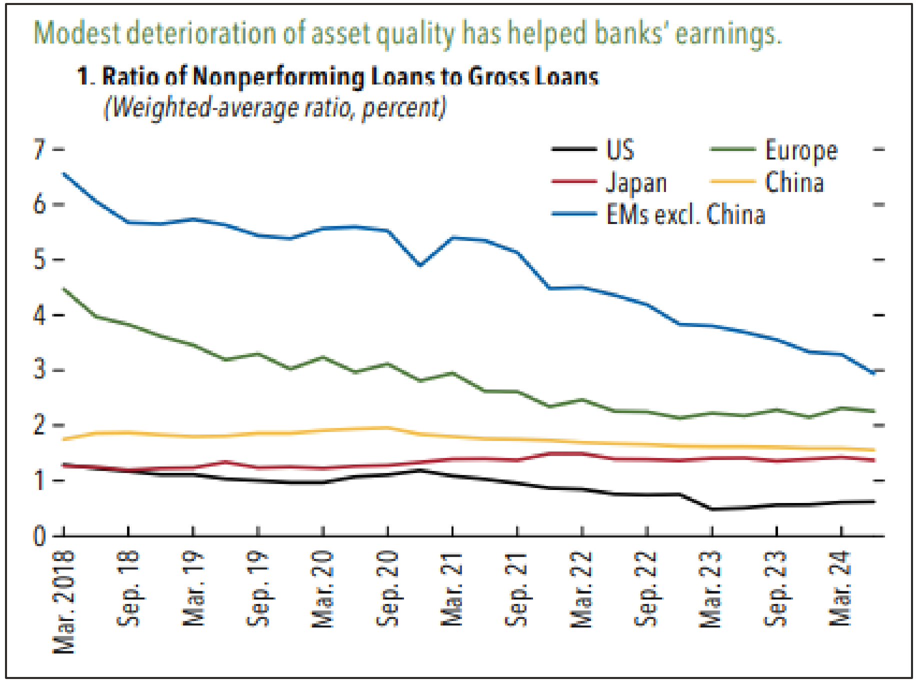
Source: International Affairs, Volume 100, Issue 2, March 2024, Pages 691–710, https://doi.org/10.1093/ia/iiae017

2b. Limited financial stability risks for now

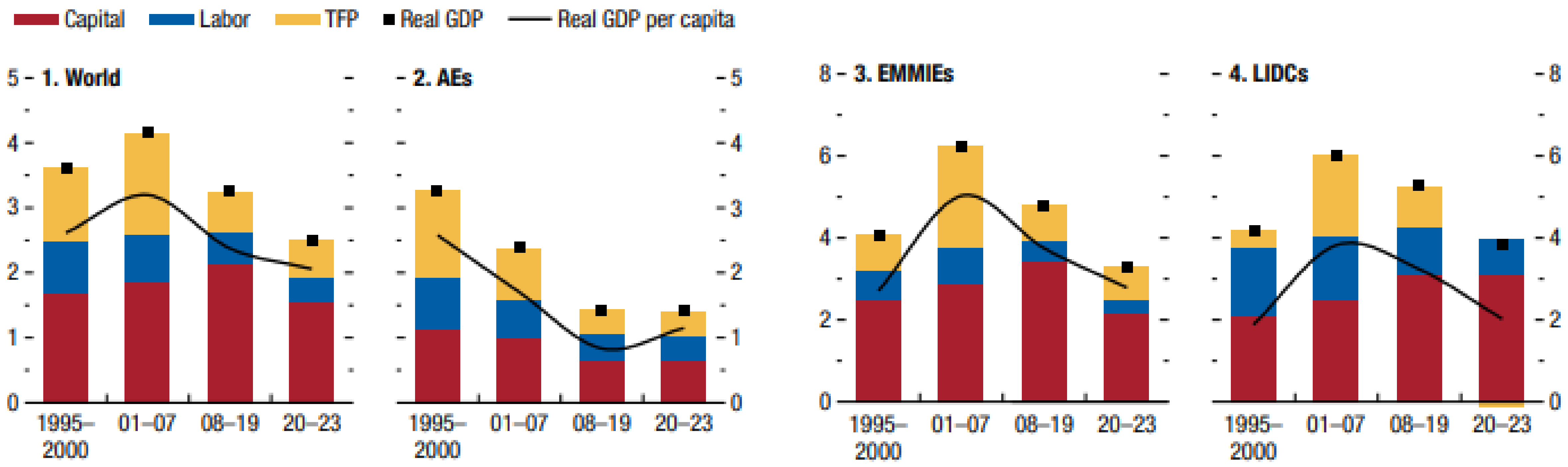


IMF Global Financial Sustainability Report, October 2024

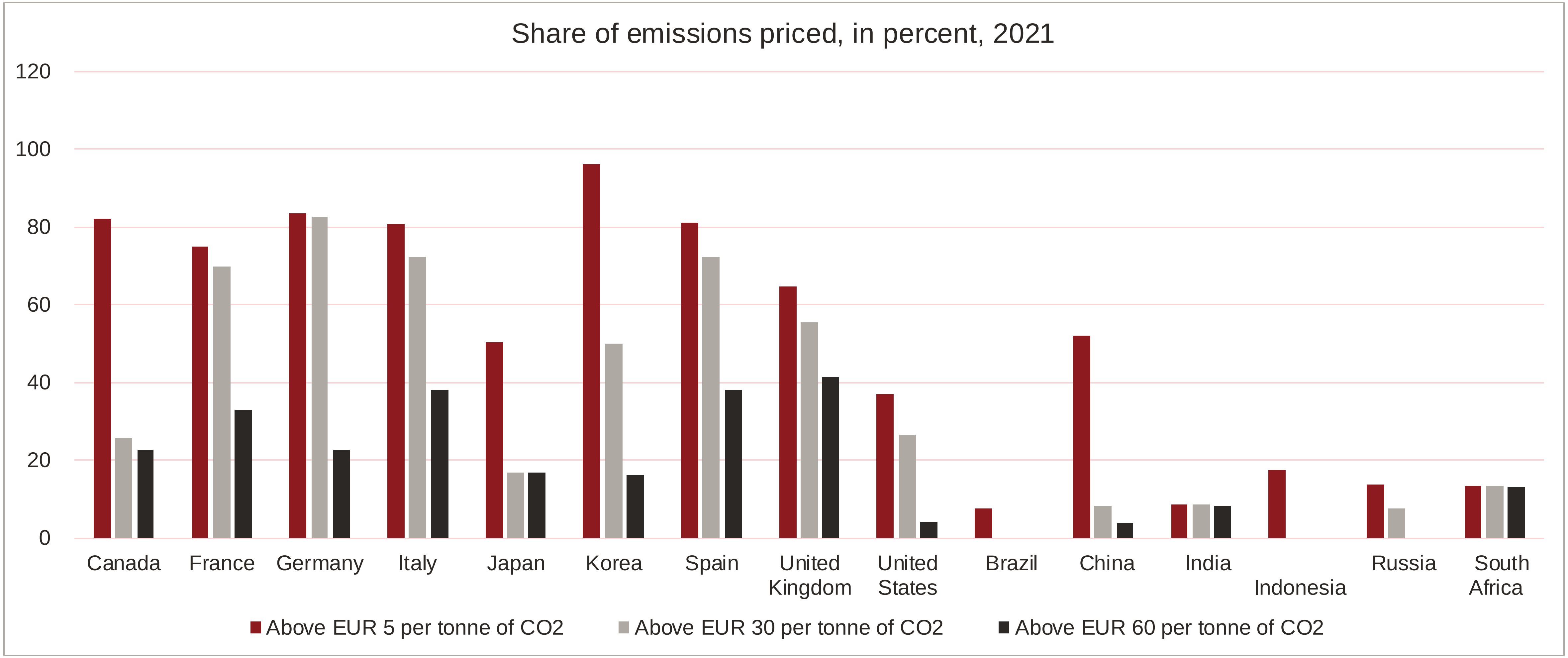
Board resilience in the Banking Sector



3. Productivity: Falling Total Factor Productivity (TFP) growth contributing to slower economic growth



4. Global public goods: carbon pricing as an example of market-based solutions to global challenges and how far we are



Source: OECD2023 Effective Carbon Rates

Role of Multilateralism

1. **Institution building**
2. **Development finance** – core infrastructure, global public goods
3. **Social / human capital development** – education, health, social security
4. **International coordination for spillover reduction**
5. **Knowledge and convening power**

MDBs can contribute to better industrial policy and help countries become more resilient

ASIAN INFRASTRUCTURE INVESTMENT BANK

About AIIB

Who we are

Mandate

- Foster sustainable economic development
- Promote regional cooperation and partnership

Values

- Lean, Clean, Green

Financial strength

- Sustainable and sound banking
- USD100 bn capital/USD20 bn paid in
- AAA rating from top 3 ratings agencies
- Over USD 50 bn lending volume

21st Century Bank

- Over 70% owned by developing and emerging countries
- Non-resident Board of Directors. Role of the Board focused on strategic oversight
- International and high ESG standards
- Consensus orientation - 75% super majority needed for major decisions
- Strong governance with accountability and oversight

Firmly part of MDB family.

*OFFICIAL USE ONLY

Balanced Multilateral Governance

Important **checks and balances** on governance and ownership

Regional Members	Voting Power
China	26.57%
India	7.60%
Russia	5.97%
Korea	3.49%
Australia	3.45%
Top 5 Members	**47.08%**

Nonregional Members	Voting Power
Germany	4.15%
France	3.17%
UK	2.89%
Italy	2.46%
Spain	1.74%
Top 5 Members	**14.41%**

Financing

- Total approved financing: over USD 58 billion across 300 projects in 37 members.
- Over 60% as climate financing in 2024.

Top 5 Client Members by Investment (USD million)

By Approved Amount (USD million)		Share of total Approved Amount
India	11,299	19.28%
Türkiye	5,461	9.32%
Indonesia	5,129	8.75%
China	4,615	7.87%
Bangladesh	4,434	7.57%
Top 5 Members	30,938	52.79%

Data as of Dec 17, 2024

Staffing

- As of Dec 2024, 630+ professional staff members from 65+ economies.

AIIB's Strategic Priorities

Green infrastructure

Target by 2025: 50% of AIIB's lending will be in climate finance.

Connectivity and regional cooperation

Target by 2030: 25% to 30% of actual financing approvals

Technology-enabled infrastructure

Private capital mobilization

Target by 2030: 50% of actual financing approvals

AIIB in the MDB community

	AIIB (2023)	WBG (2022)	ADB (2022)	AfDB (2021)	EBRD (2022)	EIB (2021)
Total assets (USD)	53.8bn	639.6bn	290.6bn	50.9bn	77.0bn	643.0bn
Paid-in Capital (USD)	19.4bn	300.4bn	7.04bn	14.0bn	6.6bn	23.0bn
Annual approved financing	11.7bn	104.4bn	20.2bn	6.3bn	14.0bn	63.4bn
Staff	550+	15,907	3,700+	2,095	2,700+	3,450
Membership	109	189	68	81	71	27
Governance	Non-resident Board	Resident Board	Resident Board	Resident Board	Resident Board	Non-resident Board