

Rise of Asia Infrastructure Investment Bank (AIIB)

In September 2016, the Islamic Consultative Assembly of Iran ratified¹ the Act of Membership of Islamic Republic of Iran in the Asia Infrastructure Investment Bank (AIIB), a Multinational Development which is governed under China's leadership.

Fifty-seven founding members have signed the Articles of Agreement since it was opened for signature on June 29, 2015. Remaining Signatories that have not yet deposited their instruments of ratification but they are expected to do so shortly and become members thereafter.² The Articles were signed in English, Chinese and French texts, which are equally authentic and consists of 60 Articles.

According to AIIB website³, it is a modern knowledge-based institution, which will focus on the development of infrastructure and other productive sectors in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development, logistics and etc.

The purpose of the Bank, in accordance with Article one of the Articles of Agreement is to:

“(i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.”⁴

China's motivations in establishing such institution can be mentioned as following:

1) Asia has a massive infrastructure funding gap

According to Asia Development Bank (ADB) report in 2010; Asia needs to invest around \$8 trillion over 2010–2020 for infrastructure development. The challenges are therefore enormous, particularly for the poorer countries that must increase their infrastructure development to accelerate their economic growth to catch up with the others. The combined annual boost to Asia's infrastructure from the World Bank (WB) and the ADB amounts to \$20 billion. In this regard, the AIIB would complement existing resources, but it would still be very far from filling the gap.⁵

2) Voting structures in the World Bank and ADB

Creation of AIIB is built on the dissatisfaction of China with domination of US, Japan and other EU countries in the global economic governance. In spite of some reforms taken in respect of

¹ <http://rc.majlis.ir/fa/law/show/990279>

² <http://euweb.aiib.org/html/aboutus/introduction/history/?show=0>

³ <http://euweb.aiib.org/html/aboutus/introduction/aiib/?show=0>

⁴ <http://euweb.aiib.org/uploadfile/2016/0202/20160202043950310.pdf>

⁵ <http://www.economist.com/blogs/economist-explains/2014/11/economist-explains-6>

the voting structure in World Bank, China's role in the global economy is not reflected adequately. Its voting power is still lesser than those other world powers. China is seeking a larger role in global economic governance. The global economic organizations have not been adjusted with the changing structure of the world economy.⁶

China argues that their intention to create such a Development Funding Bank is not to compete with the existing global multinational funding organizations. Instead, it is meant to complement the policies of World Bank and Asian Development Bank in respect of development projects.

In spite of the fact that this bank is still young, it has commenced approval financing some projects including Myingyan Power Plant Project in Myanmar and Dushanbe-Uzbekistan Border Road Improvement in Tajikestan.

Although the practical impact of the establishment of this new multilateral funding institution is as of yet unclear, however, it is hoped from the approved ongoing projects that the membership of this Bank will bring Iran with considerable economic opportunities in terms of foreign investment in infrastructures including power plants and rail roads.

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⁶ J R. Strand, E M. Flores, MW. Trevathan, 'China's Leadership in Global Economic Governance and the Creation of the Asian Infrastructure Investment Bank', *Rising Powers Quarterly*, Volume 1, Issue 1, 2016, 55-69