

# CHINA LED AIIB COULD OVERTAKE ADB AS MAJOR FINANCIER OF INFRA PROJECTS:EXPERTS

Relevant for: International Relations | Topic: AIIB and India

New Delhi: China-led Asia Infrastructure Investment Bank ( [AIIB](#)) may soon dominate the space of 'development projects financing' in Asia surpassing the [Asian Development Bank](#) (ADB) as the major financier, feel Indian experts observing the changing contours of Asia's finance.

With [China](#) continuing its financial assertiveness across the globe through its various infrastructure projects like the One Belt One Road ( [OBOR](#)) strategic initiative, the AIIB funding is the logical next step for them, the experts opined.

The OBOR focuses on improving connectivity and cooperation among Asian countries, Africa, China and Europe with the emphasis on enhancing land as well as maritime routes.

The experts feel that the smaller nations approaching the AIIB for development projects loans need to ensure that they don't get into any debt trap and are capable of paying back the amount.

Currently India has 7.65 per cent vote share in the AIIB while China holds a whopping 26.63 per cent stake in the organisation that uses English as its official language. The other large shareholders are the Russian Federation, Korea and Australia.

Setup in 2016, the AIIB has an advantage of getting projects cleared from member countries within six months as against a minimum period of 3 years required by the 1966-established ADB, thereby attracting new projects which until a few years ago were destined to go to the latter for financing due to lack of competition.

The 68-member ADB is headed by Takehiko Nakao, a Japanese national.

The AIIB, which currently has 97 members, including non-regional ones such as Guinea, Tunisia and Uruguay, had till the end of 2018 approved projects with an investment financing of USD 7.5 billion.

In 2019, the AIIB sanctioned two projects in Sri Lanka amounting to USD 280 million for the construction of 5,500 affordable housing units and reducing the risk of landslides.

"The AIIB represents the first multilateral investment bank, which does not have the US or Japan as a member. It is quite striking that many countries have quickly accepted China's leading role in the AIIB," V Srinivas, an IAS officer currently serving as Additional Secretary to the Government of India and author of books on global finances, told PTI.

He said despite China's stand that the AIIB complements banking giants like the ADB and the World Bank, the Beijing-headquartered institution was gradually transforming into a major player in the global financial architecture.

"The Chinese have argued that the AIIB should be viewed as complementing the efforts of existing institutions like the World Bank and the ADB for co-financed projects. Besides, they said that AIIB does not compete with the World Bank and ADB," Srinivas said.

"However, the speed at which it has been clearing big projects makes it clear that the AIIB has

established a healthy competition with its peers,” added Srinivas, who recently presented a paper titled 'The Asian Infrastructure Investment Bank: Changing the Contours of Infrastructure Financing in Asia'.

According to an expert, the member nations have a lot of expectations from the AIIB, especially in the areas of renewable energy, connectivity and transportation as the terms and conditions of the ADB have prevented uniform development especially in the case of India where the backward regions continue to remain neglected.

"One of the major concerns about the functioning of the World Bank and the ADB is their terms and conditions which hinders development reaching the backward areas like here in India. There are regional inequalities and issues. What these banks are doing is not exactly what we want," said Asish Kundu from Research and Information System for Developing Countries, a New Delhi-based policy research institute supported by the Government.

Stating that India's northeast region is one of the priority areas for development, Kundu said: "We (India) had problems in getting money from ADB and World Bank to develop the region".

The situation, however, is no different with the AIIB as the bank is not too keen to finance projects in the region as there is no surety of revenue generation, Kundu added.

"The projects need to be prepared in a bankable manner. That can be done but then the stipulation on the rate of return is something that India will have to negotiate if it is to be made true," he told PTI.

Asked if the growth of China-led AIIB was a threat for the smaller economies in the region, he said that the chances of a "debt traps" could not be ruled out.

"I feel that when they (AIIB) talk about bankability they should also think about the repayment of the borrowing country. If the national governments can also think about it and the repayment in a proper way than the risk can be minimised," he said.

The AIIB has funded several projects across the globe, including the Turkey-based Trans Anatolian Gas Pipeline Project, Bangladesh' Distribution System Upgrade and Expansion Project and Egypt's solar projects among several others.

In India, the bank has funded a road project each in Madhya Pradesh and Gujarat followed by a power project in Andhra Pradesh.

Sabyasachi Dutta, Executive Director of Shillong based think tank-- Asian Confluence-- said he expected the AIIB to soon overtake the ADB.

"When viewed in comparison with other institutions, the AIIB certainly offers healthy competition. It may be good to balance out the loan market. But countries especially the smaller ones must also view them in a strategic context rather than use them for quick fixes," he said.

He cautioned Asian economies against falling in the "debt trap".

"Chinese led financial institutions can certainly increase the country's economic and strategic political footprint in the neighbouring countries of India and jeopardise the strategic intent behind groupings like BIMSTEC, Indian footprint in the ASEAN and therefore Indian footprint in the Indo Pacific," he said.

"The smaller economies are the most vulnerable in this whole scenario, They need financing to meet their immediate goals but this may hinder long term stability of the region," he added.

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