

Diverging views on the new Asian Infrastructure Investment Bank (AIIB) in the US and Europe

Infrastructure investments are an important element in international economic cooperation. Besides bilateral agreements, European donor countries often use the institutional platform given by the World Bank or the International Monetary Fund (IMF) to negotiate the terms of financial assistance with recipient countries. However, the dominance of these Western development and investment institutions is challenged by China, which has launched the Asian Infrastructure Investment Bank (AIIB). While the US has taken a critical stance on this Chinese influenced infrastructure bank, some EU Member States have announced that they will support the AIIB.

The AIIB: a rival to Western economic and development institutions?

The Asian Infrastructure Investment Bank (AIIB) was launched by China in October 2014 to initiate more investments in the Asia-Pacific Region, especially in the field of infrastructure (transport, energy, IT, etc.) and in the building sector. The World Bank has [projected](#) that Asia requires US\$8 trillion of infrastructure investments between 2010 and 2020. As Beijing has pledged half of the designated [US\\$100 billion initial subscribed capital](#), it will be the major stakeholder in the AIIB.

Some countries like the US and Japan consider the new investment bank as a potential rival to the Washington-based [World Bank](#) and also to the Manila-based [Asian Development Bank \(ADB\)](#). The AIIB is supported by a number of countries such as Australia, India, Kuwait, Qatar, South Korea, Israel, Taiwan and Singapore. Some EU Member States are also considering joining it. The AIIB is expected to be established by the end of 2015.

China and the new world order

Beijing's decision to create the Asian Infrastructure Investment Bank reflects growing discontent with the governance structure of Western-dominated development banks such as the World Bank. Several of the so-called [BRICS countries](#) – namely China, India and Brazil – [argue](#) that these US-dominated institutions do not take into account the increasing weight of the new emerging powers in the global economy.

Diverging views between the US and Europe

In March 2015, EU Member States France, UK, Germany, Sweden, Luxemburg and Italy, as well as [EFTA](#) countries such as Switzerland and Norway, joined the AIIB as founding members. There is a consensus among observers that the establishment of the Asian Infrastructure Investment Bank creates a number of concerns for the United States. Firstly, Washington has doubts about whether the AIIB will meet Western standards in governance, social affairs and environmental issues. The USA is also reportedly concerned that the AIIB will help to increase the geopolitical influence of China.

Some EU members, however, see the establishment of the AIIB as an opportunity. [London](#), for instance, argues that joining the AIIB at an early stage will create favourable conditions for investments in Asia by British companies. According to the UK, but also to the [World Bank](#), the AIIB – rather than being a competitor to Western organisations – will play a complementary role in providing additional funding to lower income countries in the Asia-Pacific region. [France, Germany and Italy](#) declared that they will focus on increasing the values-orientation of the AIIB, e.g., by linking their loan provisions to democratic standards (governance, social issues etc.). Furthermore, the [decision-making structure of the AIIB](#) will not be China-dominated per se, but will have a governing board with representatives from other Asian countries.