

ANALYSIS ON COOPERATION BETWEEN ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB) AND ASEAN COUNTRIES

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Abstract

The key agenda of Chinese foreign economic policy since 2013 has been Belt and Road Initiative (BRI). The initiative is also a central component of Chinese regional economic and foreign policy. Its goal is to boost economic connectivity from China to Central and South Asia, the Middle East and Europe (the Silk Road Economic Belt) and along a maritime route, from Southeast Asia to the Middle East, Africa and Europe (the 21st Century Maritime Silk Road). To support the goal, Chinese President Xi Jinping announced the initiative of a China-led multilateral development bank, which was known as Asian Infrastructure Investment Bank (AIIB) in 2013. It is a response to serve financial gap for sustainable infrastructure in Asia and to promote its geopolitical interests overseas as an emerging power. The AIIB cooperates with existing Multilateral Development Banks (MDBs) and takes full advantage of their strengths in promoting economic development in Asia region. It supports China's banking policy to finance overseas investment projects. Most of AIIB's signed contract projects are strategic in nature, complementing the BRI. ASEAN and China have been cooperating closely as a top dialogue partner. The total share of ASEAN countries in AIIB is 7.6 percentage of the total amount. In the meantime, AIIB provided some infrastructure projects with the amount of one billion in ASEAN countries. The objectives of the research are to analyse the evolution of the AIIB and to evaluate its cooperation with ASEAN countries. The findings highlighted that its cooperation is well suited to recipient's needs and supporting development and infrastructure in developing countries in ASEAN, especially, regional connectivity although there are some challenges.

Keywords: BRI, AIIB, MDBs, ASEAN, Aids, infrastructure, development

Introduction

China's significant economic rise led its role for regional power and motivated to set out strategies to become the global power ambition. Chinese President Xi Jinping has pursued an ambitious foreign policy agenda to deepen economic, security, and political ties with neighbouring countries. Over the past decade, President Xi stated building a "community of common destiny," first in the Asia-Pacific region and then throughout the globe. The Asian Infrastructure Investment Bank (AIIB) was established as a regional financing mechanism for Chinese President Xi Jinping's BRI. It aimed to be a specialized 21st Century Multilateral Development Banks (MDB). It is the first global International Financial Institution (IFI) established on the direct initiative of a non-Western country. AIIB emphasized investment in BRI-related areas. Most of its signed contract projects are strategic in nature, complementing the BRI. Inside China, it supports Beijing's banking policy to finance overseas investment projects. It offers China a similar opportunity to replicate a leadership role in Asia as an economic power. Among Asian countries, ASEAN member countries have significant economic ties with China, which has a major trading partner, donor and investor. Indeed, ASEAN and China have been cooperating closely as a top dialogue partner. ASEAN countries' total contribution to AIIB fund is significant. In the meantime, AIIB provided some infrastructure projects with the amount of one billion in these countries. Based on the background, objectives of the research are to analyse the evolution of the AIIB and to evaluate its cooperation with ASEAN countries. The research intends to answer why the AIIB is developed as a multilateral development bank and how the AIIB and ASEAN countries have cooperated.

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The Evolution of AIIB as a Multilateral Development Bank

In October 2013, Chinese President Xi Jinping proposed the establishment of AIIB at the Annual Leader's Meeting of the Asia-Pacific Economic Co-operation (APEC) Forum in Bali, Indonesia in order to promote inter-connectivity and economic integration in the region. Its mission intended to (i) foster sustainable economic development, create wealth and improve 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 such as the World Bank (WB) and the Asia Development Bank (ADB). AIIB also aimed to invest in BRI-related areas that align with sustainable infrastructure priorities and to support Chinese companies specifically among the major financiers- Chinese Policy Banks, Chinese Commercial Banks, Silk Road Fund, and New Development Bank (NDB) for developing BRI. Its initial total capital was USD 100 billion by investing infrastructure and other productive sectors in Asia and its projects would better connect people, services and markets to promote sustainable development, growth and prosperity. The bank not only aims to mobilize private capital but also partner with other MDBs for co-financing projects.

In October 2014, twenty-two Asian countries signed Memorandum of Understandings (MOUs) among on establishing AIIB. Fifty-seven prospective founding members also signed the Articles of Agreement (AOA) in June 2015. The AIIB was formally established on December 25, 2015 and began operations in January 2016. Subsequently, 20 percentage of the initial capital was paid by 2019 and the full amount would be completed by 2024. It is equivalent to about 61percentage of the ADB's initial total capital, 43 percentage of World Bank's, 30percentage of the European Investment Bank's (EIB) and more than twice of the European Banks for Reconstruction and Development's (EBRD). AIIB has grown to 102 member countries worldwide up to 2019 which was accounted for 76 full members and 26 prospective members. Its capital became USD12.04 billion with 63 projects for 2019. The net committed investment was 8.37 billion and disbursement was 2.9 billion. Besides, its management organization became multinational characters with staff from 50 countries.

According to the AOA, the Bank would “provide financing to any member or any agency, or an entity or enterprise operating in the territory of a member, as well as to international and regional agencies or entities concerned with economic development of the Asia region”. Furthermore, AIIB is institutionally structured along the lines to other MDBs. The first annual meeting was held in Beijing in 2016. The President of the Bank is Jin Liqueun, who was elected for a five- year term in accordance with the AOA. He was a former Chinese Minister of Finance, Chinese Sovereign Wealth Fund Chairman and ADB Vice-President. The main currency of the Bank is the US Dollar but member states can contribute their share of funds in Dollars or other convertible currencies. In contrast to other MDBs, the Bank does not grant concessional loan with zero to very low interest rates, which is designed for the long run and low-income countries in particular. It grants not only finance direct loans, but seeks to provide a possibility to invest in equity funds of private institutions, enterprises or publicly financed institutions. As a member of the international family of development banks, AIIB has concluded a co-financing framework agreement with the WB and signed MOUs with ADB, EBRD, EIB and other MDBs to set the stages for jointly financing projects. In this way, the AIIB has a process of ‘institutional learning’ from partner institutions and develops its own set of funding policies and guidelines. The process paved the way for China's domestic financial institutions to be adaptable with international standards.

Practically, AIIB is still a very young development bank, compared with other multilateral institutions. It still has less capital base, less technical experience and human resource capacity compared with the WB and ADB. The Bank has over 500 staffs whereas the ADB has 3,092

employees and the WB has more than 10,000, may restrict the depth of its independent sector expertise. The AIIB applies universal procurement policies and does not tie its loans or projects financed to AIIB's membership. The interest rate of AIIB is ranging from 0.75percentage to 1.40percentage for lending spread plus 0.5percentage for front-end fee and commitment fee depending on conditions of the agreement with the country concerned. The rate is not low compared to other MDBs. The bank's average maturity period including the grace period five years is up to 20 years long term. Some MDBs usually provide more than 30 years for the big investments with grace period. AIIB is trying to be different from nature of Chinese banks in terms of rules and regulations and willing to be a genuine multilateral bank but some critics pointed out that it is necessary to change some conditions including decision-making and bilateral discussion with recipient countries. The nature of investment share in AIIB is also important point for the decision-making.

According to Table (1), China holds nearly 30percentage of the Bank's share and over 26percentage of the voting share. India and Russia are the second- and third-largest shareholders respectively. China's voting share at the AIIB is much larger than not only any other member but also the combined share of the top five shareholders- India, Russia, Germany, South Korea and Australia. Under the AOA, certain key decisions require a super majority of two-thirds of votes of all governors, representing no less than 75 percentage of total share. As for the decision-making, China holds over 26percentage of votes and has the ability to exercise a veto over certain decisions. Some countries and scholars have pointed out China's dominance of share and decision-making.

Table-1 Top 10 Shareholders in the AIIB

No	Member	Capital Subscription (USD billion)	Voting Share
1	China	29.78	26.06%
2	India	8.37	7.51%
3	Russia	6.54	5.93%
4	Germany	4.48	4.15%
5	South Korea	3.74	3.50%
6	Australia	3.69	3.46%
7	France	3.38	3.19%
8	Indonesia	3.36	3.17%
9	Brazil	3.18	3.02%
10	United Kingdom	3.05	2.91%

Source: AIIB (2015), China Daily (2015)

Based on the AOA, seventy-five percentage of the total capital of AIIB is to be delivered by regional countries (Asian and the Middle East Countries) whereas, the remaining twenty-five percentage delivered non-regional countries. AIIB's project process is guided by its strategic goals and thematic priorities -sustainable infrastructure, cross-border connectivity and private capital mobilization. All projects from the proposed countries are screened in accordance with the selection process and additional assessment and research. As a result, some projects with good assessment and design with social, technical, environmental, governance, economic and financial factors can only get the final approval from the Executive Committee. Projects could be sovereign-backed and private sector projects involving both debt and equity transactions. AIIB has been assigned the highest credit ratings by the Standard & Poor's Global Ratings, Fitch Ratings and

Moody's Investors Service, reflective of the sovereign personality and strong finances of most of its members, the backing of its callable capital and the Bank's prudent financial policies and management together with the development.

In 2017, the AIIB Project Preparation Special Fund was established with the primary purpose of supporting eligible AIIB members, especially low-income members. As of end-April 2020, total committed contributions to the PPSF amounted to USD 128 million with contributions from China (USD 50 million), the United Kingdom (USD 50 million), Korea (USD 18 million) and Hong Kong, China (USD 10 million). AIIB's third annual meeting was held in Mumbai, India on June 25-26, 2018. It focused on creating business development opportunities, mobilizing finance for Infrastructure Innovation and Collaboration in recognition of the private sector's vital role in bridging the infrastructure gap. The 2019 AIIB Annual Meeting was held in Luxembourg July 12-13, 2019. The theme of the Meeting was "Cooperation and Connectivity" in recognition of the economic and social benefits to be realized through better connectivity within and between countries and regions, including Europe and Asia. At the end of 2019, AIIB has implemented 63 projects and 33 projects were stand-alone projects and 30 projects were co-financed projects. These focused areas included nineteen projects in energy, fifteen in finance, thirteen in transport, eight in water, four in urban development, two in ICT and two in others.

The 2020 Annual Meeting was virtually organized on 28-29 July 2020. Stakeholders and representatives discussed how to build a more inclusive organization. Besides, it stressed crucial partnership in connecting markets, enhancing green economics, linking digital divide and mitigating challenges. The COVID-19 Pandemic brought about delay in projects while its private contribution declined. But, demand for projects and planned projects remained positive in 2020. The AIIB was criticized for not providing substantial support as the WB and the ADB did. Then, it has provided assistance under the COVID 19 Crisis Recovery Facility with USD 5.9 billion to support twelve countries in July 2020. It supported sixteen projects to tackle challenges in the Pandemic.

The Role of ASEAN Members in AIIB

China plays a major role in development of transport, energy, telecommunication and other infrastructure in ASEAN countries. China is the top investor in Cambodia, Laos and Myanmar while its investments in Vietnam, Thailand, Malaysia and Indonesia have been considerably significant and in the rising trend. Indeed, China and ASEAN countries have long-term diplomatic relations and major economic partners. Besides, China is a principal dialogue partner and largest trading partner of ASEAN as a regional organization. ASEAN is its third largest-trading partner. Two-way investment has been growing with ASEAN, which would be China's fourth-largest investment destination and third-largest source of foreign direct investment.

At the same time, ASEAN is situated in the integral part of BRI. The increased access to infrastructure financing in ASEAN countries is likely to have significant impact on BRI plans. ASEAN market is the major and closet market for Chinese consumer goods. China infrastructure investment in ASEAN countries has enhanced bilateral connectivity. Building an integrated transport network is a vital supporting infrastructure to an ASEAN-China free trade area. In 2016, the countries adopted a Strategic Plan for ASEAN-China Transport Cooperation and decided to explore ways to synergize common priorities between the Master Plan on ASEAN Connectivity 2025 and the BRI. The countries agreed to promote cross-border projects like the Singapore-Kunming Rail Link, navigation in Lancang-Mekong River, the Port Cities Cooperation Network and Logistics Information Cooperation. Chinese multinational enterprises are actively participating in ASEAN's infrastructure landscape.

ASEAN countries lie within the route of China's BRI that seek to promote interconnectivity and cooperation among the BRI countries. The BRI Vision stresses the importance of Southwest China as a gateway that connects to both the land and oceanic Silk Road routes. The document includes specific reference to linking Yunnan province to its neighbours, Myanmar, Laos and Vietnam, as part of a "pivot of China's opening-up to South and Southeast Asia. Especially for CLMV, Chinese companies are the largest investors in hydropower plants, dams, roads, bridges, seaports and railway networks. AIIB planned projects are seemed to be focused on Central Asia for cross-border connectivity projects and on other parts of Asia such as Southeast Asia, South Asia, Middle East and beyond for maritime projects. Under the circumstances, China welcomed participation of ASEAN countries in AIIB. By joining the AIIB, they may show greater tendency to investments that are directed at domestic projects instead of those that are essentially cross-country or regional. China, as the ASEAN's top economic partner, publicly supports ASEAN Centrality in the evolving regional architecture and ASEAN countries have the opportunity to keep China's interest in the region for sustainable development. To ensure this, ASEAN countries could work together for cross-border infrastructure projects funding by advocating for AIIB funds for regional projects instead of domestic ones, such as the proposed Singapore-Kunming Rail Link, the Trans-ASEAN Gas Pipeline or the Trans-ASEAN Electricity Grid.

Table-2 Share of Capital receivables of ASEAN Countries **Total Share = 950,011**

No	Country	Paid-in Capital 2016	Paid-in Capital 2017	Paid -in Capital 2018	Paid-in Capital 2019	Total Share %
1	Brunei Darussalam	6,129	4,114	2,071	-	524 (0.06%)
2	Cambodia	9,359	8,249	7,122	5979	623 (0.07%)
3	Indonesia	394,036	264,210	132,871	-	33,607 (3.5%)
4	Lao PDR	6,424	5,664	4,891	4107	430 (0.05%)
5	Malaysia	5979	12,913	4,306	-	1,095 (0.1%)
6	Myanmar	38,995	34,429	29,777	25040	2,645 (0.3%)
7	Philippines	192,537	76,681	38,611	-	9,791 (1.03%)
8	Singapore	29,186	19,591	9,863	-	2,500 (0.26%)
9	Thailand	167,149	112,058	56,403	-	14,275 (1.5%)
10	Vietnam	104,460	78,743	52,771	26516	6,633 (0.7%)
Total						7,212,300(7.6%)

Source: 2016, 2017, 2018 & 2019 AIIB Annual Report and Financials

By joining AIIB, ASEAN countries contributed capital to the Bank annually. The Table (2) showed the amount of paid-in capital receivables from the ASEAN countries. According to the AOA, payments for paid-in capital of members are due in five instalments, with the exception of members designated as less developed countries, who may pay in ten instalments. Paid-in capital receivables represent amounts due from members in respect of paid-in capital. The total share of ASEAN countries is 7.6percentage of the total 950011 shares of AIIB. It is the second largest contributor to the Bank's total capital. Indonesia holds the largest amount with 3.5percentage of the total share in ASEAN and the eighth largest investor in AIIB members. Laos has the lowest share with 0.05 percentage amount.

Table (2) showed that capital contribution was increased in 2019 by CLMV countries. Vietnam contributed most with USD 26516 and Myanmar paid USD 25040. Myanmar's total contribution in capital was USD 128,241 up to 2019 and has 0.3 percentage share. The share in capital contribution is directly related to decision-making and voting share according to the principles of decision-making in AIIB. India holds bilaterally second highest share with 7.5percentage and the total share of ASEAN countries are higher than India and Russia. Consequently, the voting share of ASEAN countries is second largest and very important for decision-making and process in AIIB. It can be positive for all ASEAN countries if they collectively have one voice. Likewise, capital contribution of ASEAN is more than USD 8.5 billion and necessary for AIIB.

AIIB's Investment in ASEAN Countries

President Xi Jinping stated the establishment of AIIB during his visit to Indonesia in October 2013. In his speech to the Indonesian Parliament, Xi said that AIIB would offer priority to the infrastructural needs of ASEAN members and seek to revive the ancient Maritime Silk Road (MSR) between China and Southeast Asia. The ASEAN-China Strategic Partnership Vision 2030 was announced during the summit meetings in November 2018. The Vision upgrades the 2013 ASEAN-China Cooperation Framework, which includes enhancing strategic trust and promoting economic cooperation and seven cooperation fields, such as ASEAN-China Free Trade Area (ACFTA), inter- connectivity, security exchanges and others. Economic cooperation is a key thrust area of ASEAN-China Strategic Partnership among the number of cooperation agendas. Since January 2016, AIIB has started to provide infrastructure loans to ASEAN members with USD 236.5 million. After the announcement of Vision 2030 in 2018, the amount of AIIB support was USD 1493.39 million. The mount in 2018 was five times higher than that of 2016. But, it disbursed only USD 169 million for ASEAN members in 2019. Laos received top in the list under the Special Fund, followed by Indonesia, Philippines, Myanmar, Cambodia and Singapore under regular funds.

Table-3 List of Approved Project in ASEAN Countries with AIIB Financing

Year	Country	Sector	Project Name	AIIB Loan (USD Million)
2016	Indonesia	Urban	National Slum Upgrading Project	216.5
	Myanmar	Energy	Myingyan 225 MW Gas Turbine Power Plant	20
2017	Indonesia	Multi-Sector	Dam Operational Improvement & Safety Project	125
		Multi-Sector	Regional Infrastructure Development Project	100
	Philippines	Water	Metro Manila Flood Management Project	207.6
2018	Indonesia	Water	Strategic Irrigation Modernization & Urgent Rehabilitation Project	250
		Multi-Sector	Mandalika Urban and Tourism Infrastructure	248.39
	Lao PDR	Transport	National Road 13 Improvement & Maintenance Project	995
2019	Cambodia	ICT	Fiber Optic Communication Network Project	75
	Lao PDR	Transport	National Road 13 Improvement & Maintenance Project	40
	Singapore	Financial Institution	Infrastructure Private Capital Mobilization Platform	54

Source: <https://www.aiib.org>.

Table (3) showed the list of approved projects in ASEAN countries with AIIB financing. Indonesia was the largest recipient of AIIB loans. It is also an active supporter and eighth largest contributor of the Bank. Bilaterally, China takes the third spot in Indonesia's foreign investment list. AIIB has significant influence on Indonesia's infrastructure development. From 2016 to 2019, it received eleven projects for six countries of ASEAN. Five projects for Indonesia covered on urban, multi-sector and water. The total amount of assistance was USD 939.89 million and the amount was 40.3 percentage of the total provision to ASEAN countries. With more projects and innovative solutions, the Indonesian government would be able to continue to accelerate infrastructure development and social and economic growth in the country.

Myanmar received a project on energy sector in the first batch projects in 2016. It proposed few projects, which could not meet some assessments and criteria from the project identification at the second step. Myingyan project passed the straight screening and it was suitable for the regional strategic plans. The AIIB provided USD 20 million of debt financing for the development, construction and operation of a green-field 225 MW Combined Cycle Gas Turbine (CCGT) Power Plant in Mandalay region. The Power Plant was the largest and first Gas-Fired Independent Power Producer (IPP) in Myanmar and aimed to increase much needed reliable and clean energy to the country's demand of 4,700 MW. It was a part of China-Myanmar Economic Corridor, which is an important part of BRI. This project was co-financed by the AIIB, International Finance Corporation (IFC), and the Asian Development Bank (ADB). AIIB applied IFC's environmental and social standards and policies for granting the project.

In July 28 2020, the Union Minister for Planning, Finance and Industry U Soe Win as the Governor for Myanmar in AIIB, served as the rotating Vice-Chair at the 5th Annual Meeting of AIIB held through videoconferencing due to COVID-19 pandemic. The meeting was attended by President of the People's Republic of China Mr Xi Jinping, AIIB President Mr Jin Lique, Governors and senior officials from the 102 member countries. At the meeting, the governors approved the proposal of China and chose again the President Jin Lique for the second five-year term of AIIB. Moreover, the Bank set up AIIB COVID-19 Crisis Recovery Facility to support loans to member countries and has announced to provide between USD 5 billion and USD 10 billion loans in 16 April 2020 under the International Development Association (IDA) of World Bank by establishing a USD 30 million Special Fund Window (SFW). All member countries including Myanmar could request financial resources to tackle various challenges of the Pandemic.

Geographically, the Philippines has highly vulnerable to natural disasters with exceptionally high exposure to cyclones and floods. The country is struck by 20 cyclones every year causing wider-spread flooding including Metro Manila where more than 15 percentage of the country's population is located. The Metro Manila Flood Management project is to improve flood management in selected areas of Metro Manila, focusing on about 56 potentially critical drainage areas with an approximate land area of 11,100 ha or 17 percentage of the total area of Metro Manila.

In addition, Lao PDR project targeted to improve road conditions, road safety and climate resilience of critical sections of the National Road 13 through innovative contracting model (Output- and Performance- Based Road Contract- OPBRC). The road design was designed to meet ASEAN standards. The purpose was to conduct preparatory activities to enhance implementation readiness and quality of proposed investment. The project preparation grant supported consultancy services for resettlement action plan, preparation and implementation. The total assistance was USD 995 million in 2018 and added USD 40 million in 2019. Laos aims to transform from a land-locked country into a "land-linked" country. Particularly, the ASEAN nations are required to spend approximately USD 60 billion a year to address the regional infrastructure needs.

Moreover, AIIB provided a loan to USD 75 million for Fiber Optic Communication Network Co., Ltd ("CFOCN"), the largest independent and carrier-neutral provider of national

fiber network in Cambodia. By building out the fiber optic cable backbone and the metro network across the country, the project is expected to support increased access to telecom services in both rural and urban areas. On the one hand, it would provide greater capacity for the operators in the telecommunication sector, and improve both outdoor and indoor coverage for service providers. Under the International Telecommunication Union's ICT Development Index, Cambodia ranks 128th out of the 176 countries and ranks as the tenth least developed country in the Asia Pacific Region. At present Cambodia has a higher rate of mobile subscriptions than other countries.

In 2020, AIIB provided sovereign-back USD 60 million loans to Cambodia to support the government's recovery plans from COVID-19 impacts. The assistance intended to improve lives of women, children in rural areas. Moreover, its impacts on economy led decline of GDP growth and affected on manufacturing, tourism and construction sectors which accounted for 43percentage of national income. These sectors also employed most of jobs for women and informal workers from rural areas. The project was under Special Fund Window (SFW) as apart of AIIB's COVID 19 Crisis Recovery Facility. Similarly, Vietnam also has received USD 100 million loans for its Prosperity Joint Stock Commercial Bank in 2020. It is the first project in Vietnam and intended to help private sector particularly small and medium sized enterprises to tackle challenges in COVID-19 Pandemic. Vietnam's GDP became decreased by 3.8percentage in mid-2020.

Furthermore, AIIB invested in a new platform business to purchase infrastructure loan from financial institutions in Singapore. This would support private capital mobilization and builds infrastructure as an asset class. Thus, the Bank has disbursed up to USD 54 million of equity capital to the platform, with the remaining USD 126 million funded by other investors and partners. Total debt financing of up to USD 1.8 billion could be raised to support the platform. AIIB's aspirations and objectives for this project are to help develop infrastructure capital markets as an asset class through the creation of investable debt securities in the Asian infrastructure sector and to support the recycling of infrastructure lending of banks' balance sheets.

Accordingly, the AIIB, along with other MDBs, could carry out the infrastructure gap by providing the needed funds. Moreover, China-ASEAN Investment Cooperation Fund was established in 2013 and targets investments in infrastructure, energy and natural resources in ASEAN region. Some projects of the rest ASEAN countries have been invested under this fund. China's policy banks, China's commercial banks, China-ASEAN Infrastructure Investment Fund and the Silk Road Fund also emphasis investments in major infrastructure projects and connectivity with the objective of promoting "common development and prosperity" of China and other countries and regions involved in BRI. In fact, ASEAN countries have 7.6 percentage of the total share in the AIIB. Indonesia is the largest shareholder in ASEAN while it received the largest number of projects in water, multi sector and urban development. Laos got only a transport project to smooth roads across Laos from the border with China. Myanmar received the smallest amount of money but the project could well support the electricity needs in Myanmar. It is expected to increase assistances and investments as the BRI expanded more initiatives in ASEAN.

Challenges

As a multilateral lending institution, AIIB might undeniable face the challenges of its operations both in recipient countries and in AIIB itself. Recipients have some concerns. Firstly, they may worry for China's dominance over the AIIB and its decisions. They thought that China would use the AIIB to advance its own strategic interests overseas. Secondly, it is doubtful for standard for projects. AIIB may not observe high standards of governance, and may ignore environmental and social impacts. The third one is its future and critics. AIIB's governance structure and uncertainties regarding its future trajectory have not eliminated the concerns and suspicions among some countries. Media, some countries and economists have questions for

potential corruption, bad consequences on environment and its overlapping functions with ADB and WB, especially the allocation of loans from development fund and their focus for infrastructure projects. The major argument against the AIIB especially, from the US and Japan comes from the AIIB's governance structure, its transparency, the issue of voting power (especially, China's veto power on decision making) and its observation of existing international norms. Fourthly, some observers argue that the AIIB could weaken the ASEAN unity since countries needed to negotiate with the AIIB bilaterally rather than via the ASEAN as a whole. The fifth concern was related to national debt of the recipient countries as it raises concerns over debt repayment and other strategic risks. It is linked with Chinese interests in investing in mega-projects like Forest City in Malaysia, Sihanoukville port city in Cambodia, Sino-Laos railway project, and the Kyaukphyu SEZ in Myanmar. As the debt burden becomes serious, these countries may have to deploy state properties, like a deep-sea port or oil and gas field, as equity to pay the Chinese. This debt-trap possibility often impels ASEAN countries to take a cautionary approach towards Chinese mega-investments including AIIB projects. In addition, the analysis showed that AIIB did not cover poverty reduction and humanitarian assistance that is crucial for LDC and many developing countries in Asia. Furthermore, the Bank only gives loans with highest interest rates which are much higher in comparison with other MDBs. The term of loan is also 20 years that is shorter for development bank's standard and it could bring about difficulties of the recipient for repaying the debt in 20 years. Thus, AIIB is not following the standards of all infrastructure development for LDC countries.

Conclusion

AIIB is the first global IFI established on the direct initiative of a non-Western country. By following international financial standard for the cooperation with the WB and other MDBs, AIIB strictly became a pioneer bank for Chinese domestic and international banks. However, some pointed out the AIIB as a tool of Chinese foreign policy, and a vehicle for the implementation of the BRI and since the AIIB has mostly financed BRI complementary projects. China was criticized that the AIIB is used to export its domestic excess production capacity, to promote RMB internationalization, to facilitate China's Belt and Road Strategy, and to increase China's international influence. Its establishment reflects not only China's rising economic and financial muscle but also China's attempts to increase its representation in existing international institutions. The analysis highlighted nature of project selection of the AIIB. The steps for achieving project included detail assessment and project proposal with technical, social, environmental, economic, and financial factors. Moreover, the project is essential to provide strategic regional plans. AIIB projects were started in 2016 with the first batch. Myanmar's power plant project in Myingyan was co-financed by the ADB. It was the supporting project as part of BRI. It was the only project chosen for the regional plans and other projects failed to match the required criteria. Especially, the analysis found that AIIB's interest rate is higher than other MDBs and short grace period, its rules and regulations for infrastructural projects are so strict and its projects selection procedures must be aligning projects with the bank's thematic priorities. Many Chinese leaders and policymakers viewed the contemporary configuration of international institutions as a monopoly of western developed countries. The absence of US and Japan in the AIIB has not discouraged many regional and non-regional countries to joint this young multilateral institution. Its supporters emphasized that the AIIB would add more capacity to provide much-needed capital resources to finance the huge infrastructure investment gap in Asia. Although AIIB has the same function with IMF, WB and ADB as a lending institution, it still has differences in membership, shareholding, financing, business and political goals. The AIIB's late plan for COVID-19 assistance was criticized since the World Bank, and ADB initiated financial support much earlier than the AIIB. The critics pointed out its limited role in helping struggles during the Pandemic. Nevertheless, the AIIB is the

first Chinese-initiated multilateral financial institution as a new model, and a management and governance structure that follows more international standard and system to make more efficient and smoother by introducing non-resident board. Its financial contribution is well suited to Asia's needs and supporting development and infrastructure in developing countries in ASEAN, especially, in projects that enhance regional connectivity. It is important for the recipient countries to take cautious steps and feasibility analysis for their national interests while they wisely utilize the supports of the AIIB.

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