



The Presence of AIIB in the ADB's Annual Meeting

**Koji Sakuma, Chief Economist
Institute for International Monetary Affairs**

German stance on the AIIB

One of the most impressive figures in the annual meeting of the Asian Development Bank held in Frankfurt am Main, Germany, was the president of the AIIB, Jin Liqun. He attended in several seminars as a panelist and the floor audience paid attention to each word he delivered. His linguistic capability in English was outstanding and presentation was powerful. He answered tactfully any question, which was sometimes offensive to China, including those about a tension in the South China Sea.

He was surely a skillful actor who was never defeated in debate on a stage. That's said, it was also true that few could place a confidence on his words. Mr. Jin himself is an experienced bank manager who had been in the World Bank and ADB for many years. He knows a mechanism how finance works for a solid growth of economy or does not work prudently. Despite all of such knowledge and experiences of him, the AIIB is under an influence of the national interest of China. The audience watched him with a mixed feeling. They cannot fully trust him but they could find no better choice but to commission him a management of this newly born bank. That was the atmosphere of the conference.

A few German government officials in the conference expressed their wishes for the US and Japan to join the AIIB soon so that they can make the voice of the biggest stakeholder smaller in the organization. Other German officials said that the Germans knew more than other nations what the one-party regime was like because of their experience with the former East Germany. They experienced the only way to make things better was to have a communication channel by letting themselves be involved.

In the 1980s, Germany had relatively close business and political contacts with South Africa, which was isolated under the sanction of the Western allies due to their Apartheid policy. The Germans conducted at that time, too, in the same belief that things could be changed for better

only by working on from inside. This attitude is probably a tradition of German external policy.

A Concern of Kazakhstan

A remark by a Kazakh discussant in a side-event drew attentions of the audience. It was a small seminar on the One Belt One Road (OBOR), a region-wide development policy initiated by China. Kazakhstan is one of the countries where a road of the OBOR runs through. The construction of roads would expand a trade of Kazakhstan, which would be very attractive for landlocked countries like them. Many countries in the central Asia are sure to welcome the project for the same reason.

A hot debate, however, is occurring now on a possible rent of Kazakh farmland to China. Kazakhstan is a land-rich country with relatively scarce population while China wants more farmlands to sustain its 1.3 billion populations. The rent of farmland from Kazakhstan to China looked an economic win-win deal until the plan came to a possible migration of Chinese farmers to the land.

The Kazakh is now being alerted. The population of the country is only 17 million, about 1% of the Chinese population. Even a hint of possible migration from such a huge neighbor is causing a concern that future residents of border farmland may want to belong to China. It might be an exaggerated concern but it might not be so if you look at what happened in the Crimea.

A Concern of Civil Society Organizations in Asia

The first public session, which the governor of the ADB, Takehiko Nakao, attended on the first day of the ADB annual conference, was a meeting between Civil Society Organizations (CSOs) and ADB Management. As it was an opportunity where civil society organizations could have a direct communication with the ADB management, many groups joined the meeting very attentively. It was one hour session where CSOs expressed opinions and concerns regarding environmental problem or human right issues of development projects to which the ADB provided financial supports. Delegates of CSOs raised seriously such issues and the governor listened and responded to each questioner sincerely as a person in charge.

In a different seminar, a representative of a CSO asked Mr. Jin, if the AIIB would have a serious consideration on issues of environment and human right of local societies. The president, Jin, gave the questioner an answer of clear YES by referring to AIIB's modus operandi, "Lean, Clean and Green". The questioner, however, asked further how he could promise they would follow it on each operational level.

We know the AIIB has ethical rules as such. But no one knows yet if it is just words or a real pledge. Considering human rights and environmental problems seen in China, the biggest shareholder of the new bank, you cannot be convinced only with words of the president. A close

watch by international communities is needed for a sure start of the lean, clean and green bank.

<End>

Copyright 2016 Institute for International Monetary Affairs

All rights reserved. Except for brief quotations embodied in articles and reviews, no part of this publication may be reproduced in any form or by any means, including photocopy, without permission from the Institute for International Monetary Affairs.