





China Daily Cartoon Perpetuating the Narrative of US Versus China Choice © Song Chen via [China Daily](#)

“German-American relations are excellent and aren’t at stake in the decision to join the AIIB” said Frank Paul Weber, spokesperson for Germany’s Ministry of Finance.

Membership in the AIIB would make it easier for EU firms to operate in China and Asia. EU member states would also benefit from expanded infrastructure investment in Asia.

China’s narrative is that the AIIB would be complimentary and not in competition with the IMF, World Bank, and ADB, since there are more than enough investment projects for all institutions to fund. Such projects include reliable electricity, access to clean water, sanitation facilities, and transportation. The World Bank estimates that Asia needs between \$8 and \$13 trillion in investments before 2020 in order to stay on its economic development path. In this context, AIIB’s prospective \$50bn fund is a drop in the bucket.

### **The Devil is in the Details**

In 2010, the Obama administration negotiated with leading world powers an agreement to reform the Washington-led IMF by changing the equity capital quota and hence shifting the voting shares. This would give middle-income countries like the BRICS more power on the fund’s executive board, and reduce the dominance of Western Europe. “Without these reforms, emerging economies may well look outside the IMF and the international economic system that we helped design, potentially undermining the fund’s ability to serve as a first responder for financial crises around the world,” said Nathan Sheets, US Treasury undersecretary for international affairs.

Republicans in Congress have for years [stalled](#) the efforts of the Obama administration to pass IMF reform. The latest bid by the Democrats to push funding tied to IMF reform through Congress failed in December 2014.

In the IMF, the U.S. has veto power.

China’s announcement that it would not retain veto power in the newly created AIIB might have been the decisive factor that convinced Western countries to apply.

Out of the 15 –20 seats on the board envisaged by China in the AIIB, only three would be filled by non-regional (non-Asian) member states. This leaves the twelve EU states fighting for those seats. EU countries would also compete over who would host the EU regional office for AIIB, with London, Luxembourg, and Frankfurt as early prospective favorites.

### **Soft Power Geopolitics**

China insists it will not use the AIIB to extend its soft power in Asia. Yet both Washington and Moscow see China’s “railway diplomacy” as weakening their regional influence in Central Asia.

The U.S. has been negotiating separate free trade agreements with the EU ([TTIP](#)) and Asia, South America, and Australia ([TPP](#)). TPP excludes China. Meanwhile, the EU and China have been prospecting a separate [free trade agreement](#).