

China-led bank an asset to Asia



By Farish Noor

MISPLACED FEARS: *Contrary to what the US thinks, Asian economies would stand to gain with the setting up of the Asian Infrastructure Investment Bank*

THE past few weeks have witnessed a somewhat remarkable, though not all too spectacular, sea change in international affairs as a number of Western states signalled their willingness and desire to work with the Asian Infrastructure Investment Bank (AIIB) that was started by China.

When the AIIB was first raised by China's leaders a couple of years ago, the initial reaction from some quarters was of cynicism, pouring scorn upon the idea. Then came caution and worry, which soon after turned into paranoia and alarm. The AIIB was touted as a Chinese attempt to break into the Asian market, to help China gain leverage and a foothold in the economy of other countries, and to extend its hegemony across the developing world. Much of this has become irrelevant now as states the world over - including some developed European economies have come to accept the AIIB as a reality, and that it may play a positive role in fostering better trade and infrastructural development after all.

With hindsight, it might be useful to revisit some of the negative comments and positions taken against the AIIB at the beginning and ask ourselves how and why such a negative reaction arose in the first place.

For starters, we should remember the obvious fact that all banks - be they private or state-backed - are basically business entities and that all banks seek greater markets and greater support and participation from as many members as possible.

To suggest that AIIB was some kind of Trojan horse that was about to be used to infiltrate into the economies of other countries would be somewhat naive, considering that most banks - operate in the same manner as well and that few banks can ever disassociate themselves entirely from their countries of origin. While the AIIB was/is the brainchild of the Chinese government, the same can be said of many other development banks that operate in a similar, humdrum manner.

But the hype that was generated against the AIIB was reminiscent of the slant that was taken against all German economic and diplomatic initiatives in Southeast and East Asia in the 19th century. Historians will recall that Germany's arrival in Asia was late, in comparison to the other European countries that had colonised much of Asia by then. By the 19th century, almost all of South, Southeast and East Asia had been colonised by, or come under the influence of, the West European powers: Britain, Holland, France, Spain and Portugal had carved up the greater Asian continent for themselves, along with most of Africa by then. Germany, however, only came into its own with the rise of Prussia and the unification of the German states. After the Franco Prussian War, Germany began to announce its presence in other parts of the world, but was generally seen as a competitor by other European states.

By the late 19th century, German industrialists, bankers and financiers tried very hard to establish a presence in the Asian market. German companies were keen to start up businesses and to export goods and technologies that they felt were wanted and needed by Asian societies then, but to no avail.

Looking at the records of the respective colonial governments of the 19th century, we can see that many German initiatives were blocked. German companies that tried to sell German arms, technology and provide expertise in areas such as railroad construction, etc, were often dubbed as spies or political agents, and every spanner was thrown into the works to ensure that German attempts to establish an economic presence in Asia would flounder.

The initial reaction to the AIIB seemed to be a case of history repeating itself, however superficially. Washington in particular had signalled that it was not keen on the idea, and hoped that the economies of Asia and Europe would not lend their support to the initiative. Few had asked the obvious question: what



The set-up of the Asian Infrastructure Investment Bank will help create interconnected economic networks that can ensure peace in Asia and stability in the long term

is fundamentally wrong with a business-banking initiative that may well do good and help improve and accelerate infrastructural development in Asia? The answer to that question is evident today when more and more countries have signalled their willingness to be part of the AIIB initiative, and clearly the alarm of some technocrats in Washington is not shared by everyone, including their counterparts in Western Europe.

Thus, the AIIB is set to become a reality, and if China is to play a greater and more visible role in the development of Asia, so be it. The penetration of Chinese capital into the economies of Southeast and East Asia is not necessarily a negative thing, for it at least ties these economies together and creates an interconnected and interdependent network of economies that can only succeed if they work with, rather than against each other. Notwithstanding other developments in the domain of arms spending and military technology development, the creation of interconnected economic networks is one way of ensuring peace in Asia and stability in the long-term. That, in the long run, may not be a bad thing after all; for China's long-term growth can only happen if it is surrounded by friends, not enemies.

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