



## AIIB and India

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### Why in News

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**Jin Liqun** has been **re-elected as the President of the China-based Asian Infrastructure Investment Bank (AIIB)** for a second five-year term.

- The President stated that the **bank would remain an “apolitical institution”** and continue to back projects in India.
- The management will look at the proposed projects from the **economic and financial point of view** and not with a political view.

### Key Points

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- **India and AIIB:**

- India was **among the AIIB's 57 founding members** in 2016.
- It is also its **second-largest shareholder** (with 7.62% voting shares) **after China** (26.06%).
- It has **received USD 4.35 billion** from the Bank.
  - This is the **highest of any country**, with the bank so far approving loans of USD 19.6 billion to support 87 projects in 24 countries.
  - **Turkey is second** with USD 1.95 billion.
- AIIB has approved financing projects in India in a host of sectors like energy, transport and water including the **Bangalore metro rail project** (USD 335 million), **Gujarat rural roads project** (USD 329 million) and **Phase 3 of the Mumbai urban transport project** (USD 500 million).
- In a recent virtual meeting, **India said that it expects AIIB to introduce new financing instruments**, provide financing for social infrastructure and to integrate development of climate resilient and sustainable energy access infrastructure into AIIB's recovery response to the Covid-19 crisis.

This implies that **India is unlikely to alter its engagement with the China-led Asian Infrastructure Investment Bank (AIIB), despite a host of offensive measures announced recently to reduce its trade and investment links with China.**

- **Chinese Angle:**

- In June 2020, AIIB approved USD 500 million for Covid-19 Emergency Response Fund and Health Systems Preparedness Project and another **USD 750 million for Covid-19 Active Response and Expenditure Support**, in a co-financing arrangement with the **Asian Development Bank (ADB)**.  
USD 750 million loan was **approved two days after the clash in Galwan Valley in Ladakh** along the India-China border.
- It has **supported several projects under the Belt and Road Initiative (BRI) framework**, but is not formally linked to the plan.  
India has **concerns over the China-Pakistan Economic Corridor** - a part of the BRI.

## **Asian Infrastructure Investment Bank**

- The AIIB is a **multilateral development bank** with a mission to improve social and economic outcomes in Asia.
- **Headquartered in Beijing (China)**, it began operations in January 2016 and has now grown to 103 approved members worldwide.

## **Way Forward**

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- India should continue to engage with AIIB as it will be able to access resources for the financing of national and cross-border infrastructure projects from the Bank.
- AIIB is also significant as the **World Bank is continued to be dominated by the USA** while **Japan has more influence over Asian Development Bank (ADB)**.
- Further, India needs to ensure that its own interests are served by its membership very explicitly. It should make sure that **AIIB doesn't end up becoming a tool of Chinese geopolitical agenda**.

**Source: TH**