

UNIQUE PLATFORM FOR BOTH TO LEAD DEVELOPMENT IN THE REGION

China and India should work together in AIIB

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The formal launch of the China-led Asian Infrastructure Investment Bank (AIIB) in Beijing last month may, in future, be looked back upon as the beginning of the Chinese century. With so many countries participating in the initiative, it gives the AIIB and, by extension, China, greater clout in the international arena.

In fact, in enlisting major European economies, despite pressure by the United States against joining the AIIB, China has also dealt a blow to the US' dominant status in the world.

Look at the long and illustrious list of AIIB members. Four of the five permanent members of the United Nations Security Council have joined, 18 of the 34 economies of the Organisation for Economic Co-operation and Development (OECD) are in, and all of the Association of Southeast Asian Nations (ASEAN) are involved. So are all Gulf Cooperation Council states, except Bahrain, and six out of eight South Asian states.

Significantly, China, India, Russia and Germany are the four biggest contributors to the bank, which has an initial capitalisation of US\$50 billion (S\$68.6 billion) that will be raised to US\$100 billion later.

While China leads with a 26.6 per cent vote block, it will be kept in check



Indian Prime Minister Narendra Modi and Chinese President Xi Jinping in China earlier this year. The AIIB offers a platform for both Asian giants to cooperate in the region. PHOTO: REUTERS

by the diverse group of OECD and other states. India, with an 8.52 per cent capital and a voting share of 7.5 per cent, gets the second spot in the bank's leadership.

What this means is that the AIIB offers a unique platform for both Asian giants to cooperate and lead development in the region.

SETTING ASIDE MUTUAL SUSPICIONS

More than a geopolitical tool, the AIIB is timely for Asia, which needs US\$8 trillion for infrastructure development in the coming decade, according to the Asian Development Bank (ADB) in a 2010 report.

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The World Bank and the ADB have neither the capacity nor the will to meet this demand. Hence, China's US\$3.6 trillion in reserves and its political will can come in handy for Asia's development goals.

In a way, the AIIB is a fulfilment of China's dream of national rejuvenation, and it signals its readiness to shoulder more responsibilities by offering an alternative to the current world order shaped by the US.

Like China, India also believes in the Bretton Woods system of monetary management, which is dominated by the US and which has not worked in its favour. For instance, while India faces an energy shortage, its attempts to go for a crash programme of power production based on indigenous coal are severely curtailed by the rigorous environmental standards set by the US and the World Bank.

Plans to give China and India more say, through greater voting share, in the International Monetary Fund have also been stalled at the US Congress since 2010.

It is no wonder, then, that India was among the first countries to embrace the AIIB idea. Some sceptics have questioned if India wants China to replace the US' domination, especially when both neighbours have border disputes and are jockeying for influence in the Indian Ocean.

But clearly, India is looking to the AIIB for funding to improve the country's dilapidated infrastructure, as this is the biggest impediment to its economic growth. Prime Minister Narendra Modi's Make in India initiative is heavily dependent on rolling out China-style roads, ports, airports and power.

For Beijing, working with India on infrastructure financing gives it an excellent opportunity to strengthen and deepen relations with an important neighbour.

In geostrategic terms, India may have its reservations about China's One Belt, One Road strategy, aimed at rejuvenating two ancient trade routes and further opening up markets within and beyond the region. But through the AIIB, both countries can also demonstrate that they are prepared to work together for the betterment of the Asian continent with funds from the bank approved for regional infrastructure projects.

Both countries will have to put aside any suspicions of each other.

For China, India's continued strong links with the US through initiatives such as the US-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region have cast some doubt on New Delhi's real intentions.

The initiative, signed during US President Barack Obama's visit to India in January, involves India in protecting maritime security and ensuring freedom of navigation, especially in the South China Sea, an area claimed as Chinese territory. China will certainly be uncomforta-



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ble if India is involved, at America's bidding, in protecting security in the area it claims.

Similarly, China's pursuit of a possible naval presence in the Indian Ocean through port constructions in Myanmar, Sri Lanka and Pakistan makes Indian strategic planners wary of Chinese intentions.

Geostrategic competition between China and India, even if they remain

engaged in economics, puts pressure on countries in the region.

South-east Asian countries are particularly vulnerable if competition over sea lanes in the Indian Ocean and the South China Sea heats up between the two giants. As it is, China looks at India's joint oil-exploration plans in the South China Sea with suspicion.

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ASEAN, which can play a moderating role in emphasising the advantages of Sino-Indian cooperation for the whole region.

It is a challenge to both China and India to cooperate rather than compete, and they owe it to Asia to accommodate each other. The AIIB provides the perfect opportunity for both countries to show that they can truly be leaders in the region.

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