

United States, China, and the AIIB

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Based on the following papers:

- Qian, Jing, James Raymond Vreeland, and Jianzhi Zhao. 2023. The Impact of China's AIIB on the World Bank. *International Organization*. 77(1), pp. 217-237.
- Qian, Jing, James Raymond Vreeland, and Jianzhi Zhao. 2025 (Forthcoming). In-Group Punishment in International Relations: U.S. Reaction to the Founding of China's AIIB. *The Review of International Political Economy*

Multilateral Development Banks (MDBs)



ASIAN INFRASTRUCTURE
INVESTMENT BANK



- International institutions funded and governed by member states
- Provide **sovereign** loans for public development projects
- Fund **infrastructure**, health, education, and more
- Evaluate project performance and offer policy advice

The World Bank



- Flagship MDB in the world
- Established in 1944 at the Bretton Woods Conference
- Leading country (vote share):
 - United States (15.54%)
 - Japan (7.30%)
- Facing growing criticism
 - Lengthy approval process
 - Stringent standards and policy conditions

Asian Infrastructure Investment Bank (AIIB)



- Initiated by China
- Open for business in 2016
- Leading country (vote share):
 - China (26.6%)
 - India (7.6%)
 - *US and Japan absent*
- 2nd largest MDB (by # members)
 - 57 founding members
 - Now: 110 approved members
- “Lean, Clean, and Green”

AIIB founding members

China has approved 57 countries to become founding members of the Asian Infrastructure Investment Bank (AIIB).



AIIIB Founding Members?

- 57 founding members (out of 100+ approved members)
 - ~ 95% of voting power
 - ~ 95% of shares
 - ~ 97% of all projects

AIIB = China's World Bank?

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Asian Infrastructure Investment Bank will provide guarantees and support for developing nations' 'panda bonds'

The New York Times

THE CHINA FACTOR | PART 4

China Creates a World Bank of Its Own, and the U.S. Balks

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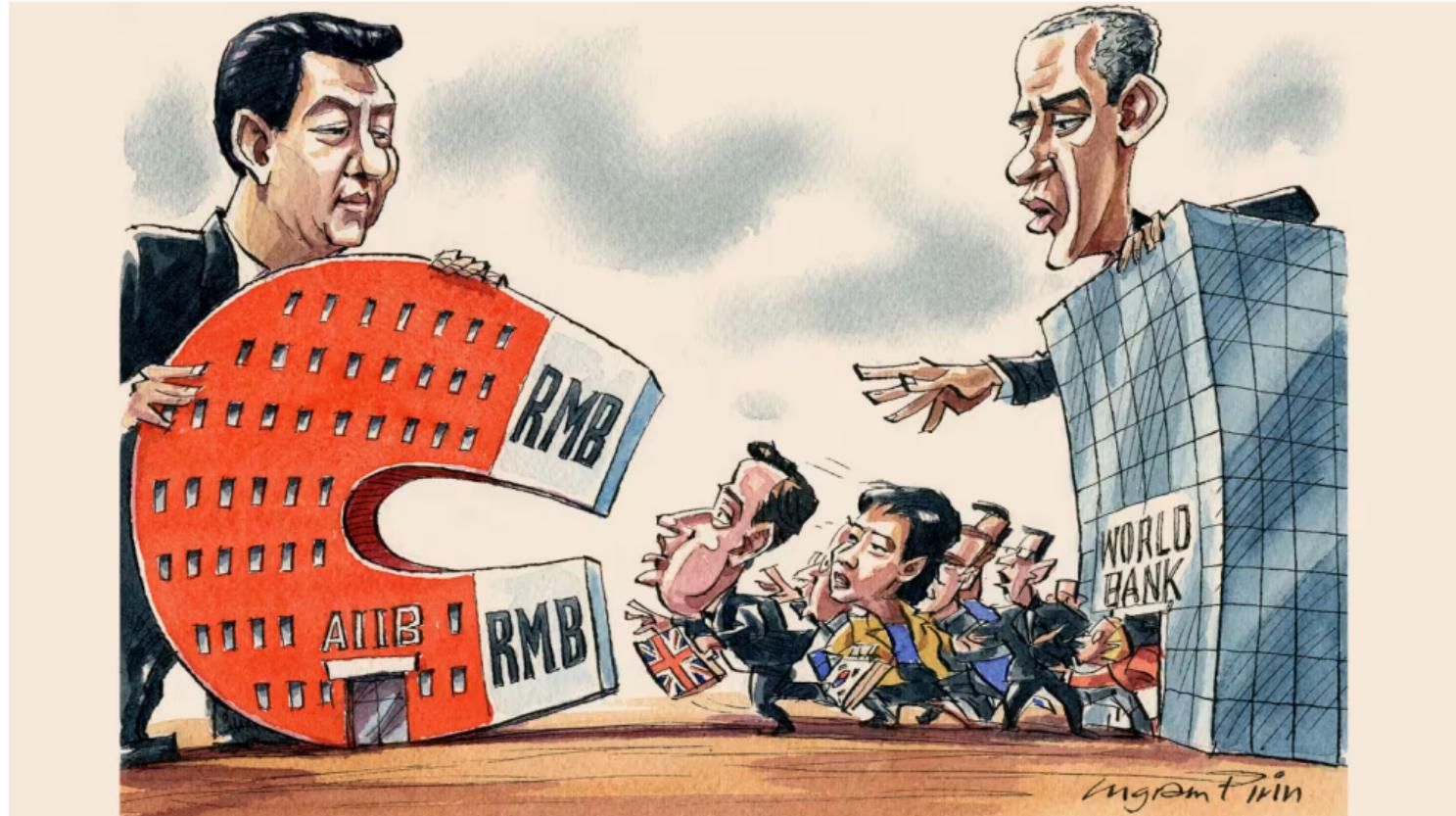
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'China's World Bank' plans to triple climate change lending by 2030

Top priority will account for more than half of new financing at Asian Infrastructure Investment Bank

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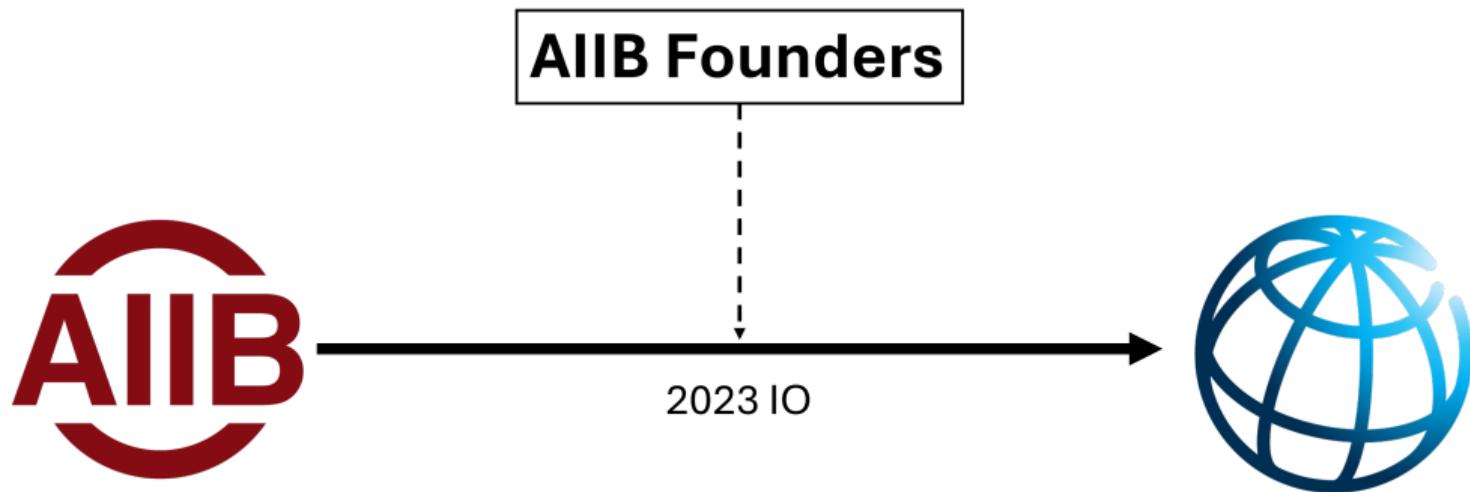
China's World Bank alternative points to multilateral future without US





AIIB Founders





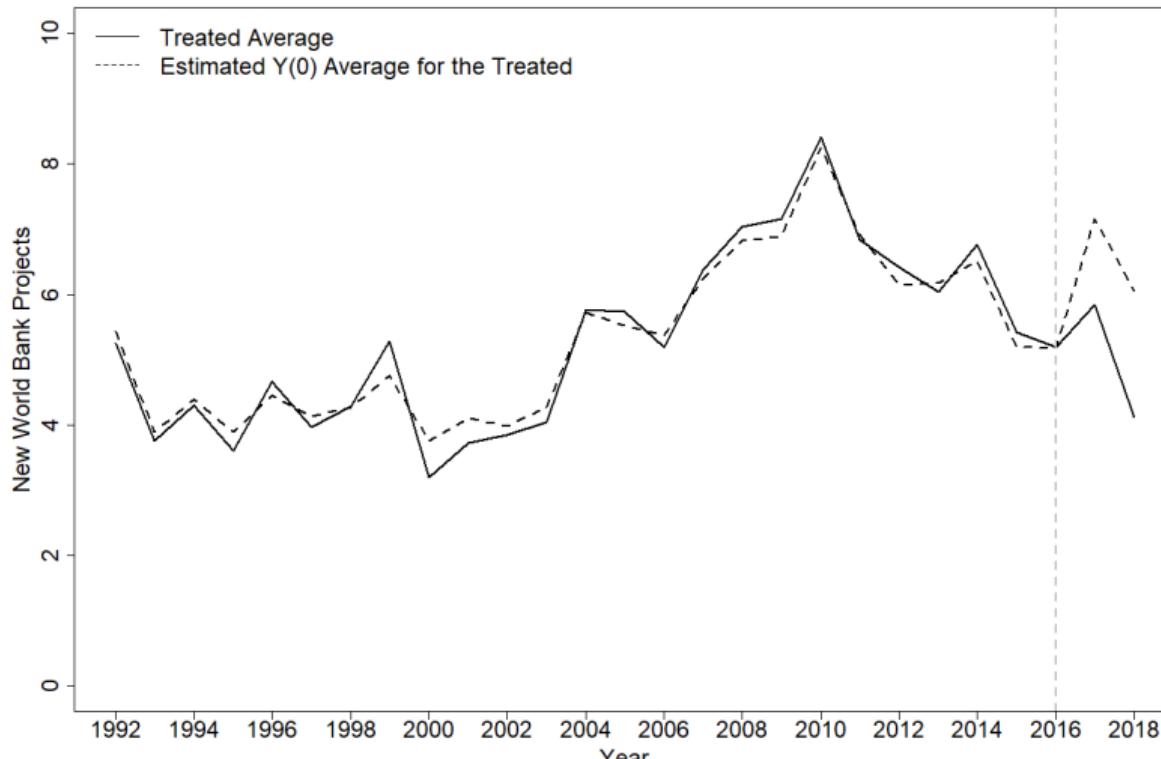
The Impact of China's AIIB on the World Bank

Finding

Since the AIIB's establishment in 2016, AIIB founding members received **fewer** infrastructure projects from the World Bank.

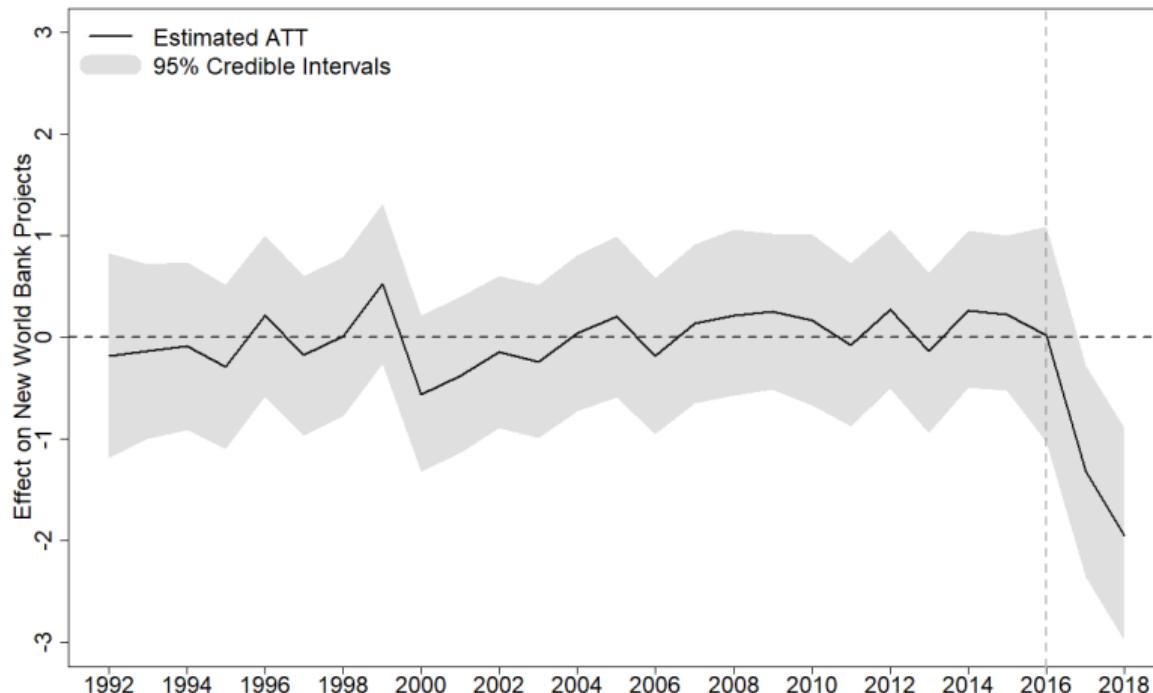
Counterfactuals Estimated with DM-LFM

Estimated Counterfactual and Observed New World Bank Projects



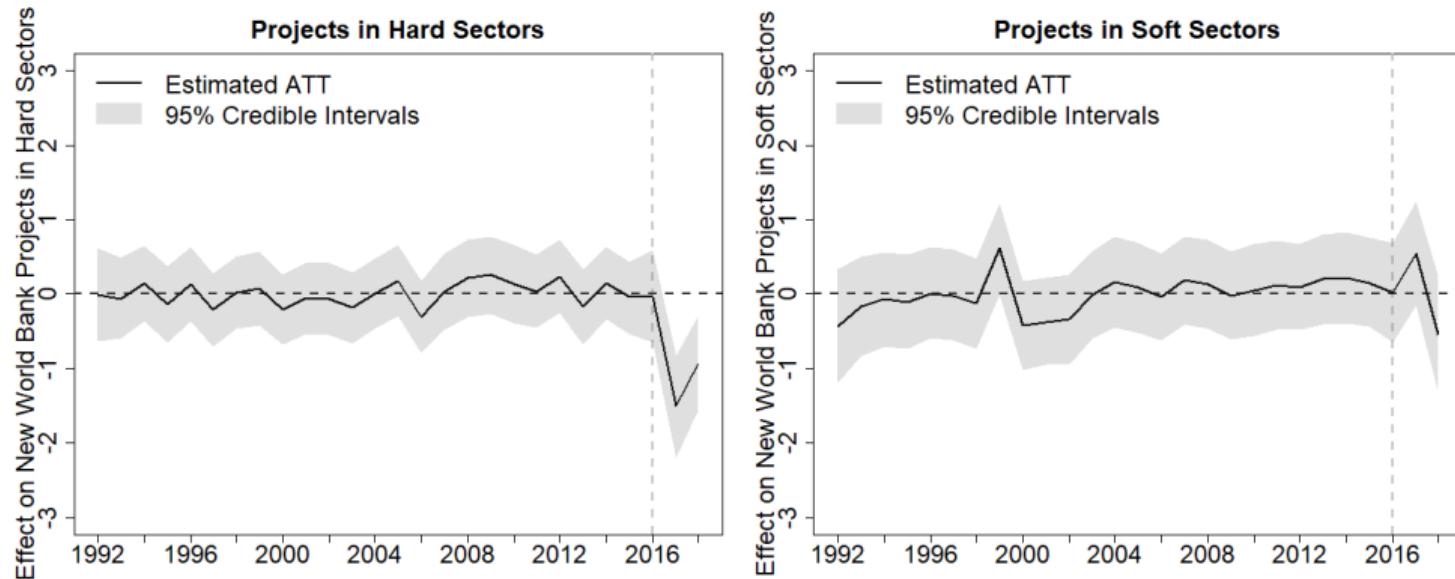
Result: AIIB Founder \downarrow New WB Projects

Estimated ATT on New World Bank Projects



But Only for Projects in Infrastructure-Intensive Sectors

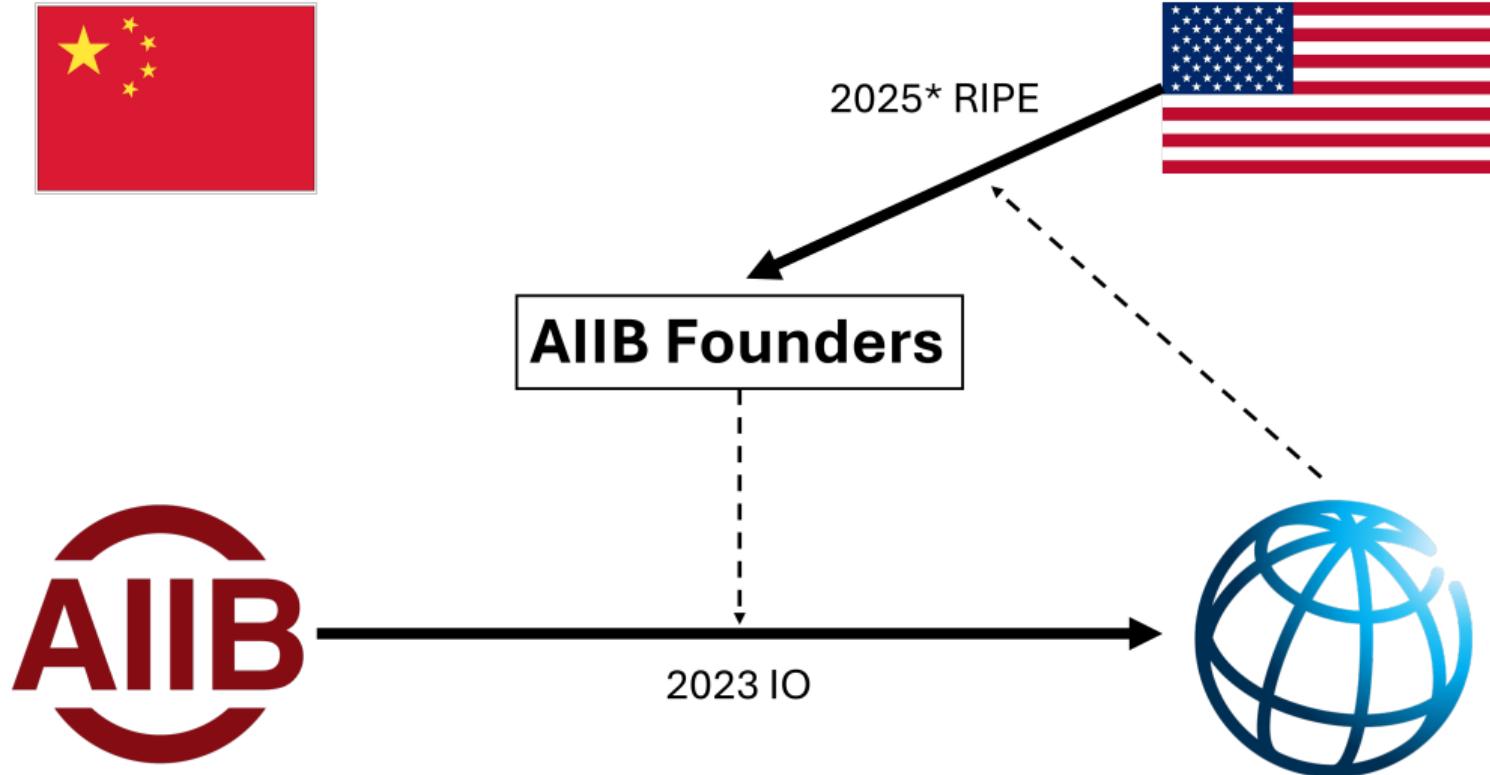
Estimated ATT on New World Bank Projects by Sectors



Summary

We found:

- AIIB founding members receive **fewer** World Bank **infrastructure** projects after the establishment of the AIIB in 2016.
 - ↓ 0.66 project ($\approx 22\%$)
- The effect operates through a **demand**-side channel.



U.S. Reactions to China's AIIB

The United States and the AIIB

- US-led World Bank: Traditional leader in international development finance facing criticism from the developing world.
 - Rise of the China-initiated AIIB as the potential alternative.
- AIIB founders openly defied the will of the US
 - Vehement opposition by the US to countries joining as founding members (Yang and Van Gorp 2019)
 - The United States “forced allies and friendly countries across the Far East to make a fatal choice between the US and China” (Evans-Pritchard 2015)

How would the US respond to countries helped to found the AIIB?

- **Punish its in-group members that helped founding the AIIB.**

In-Group Punishment in International Relations: US and AIIB Founders

- US leverage in MDBs via formal and informal channels.
- Closely aligned countries are often granted preferential treatment.
- However, they are also expected to heightened standards of allegiance.
- But some chose to help found the AIIB, defying US public preference.

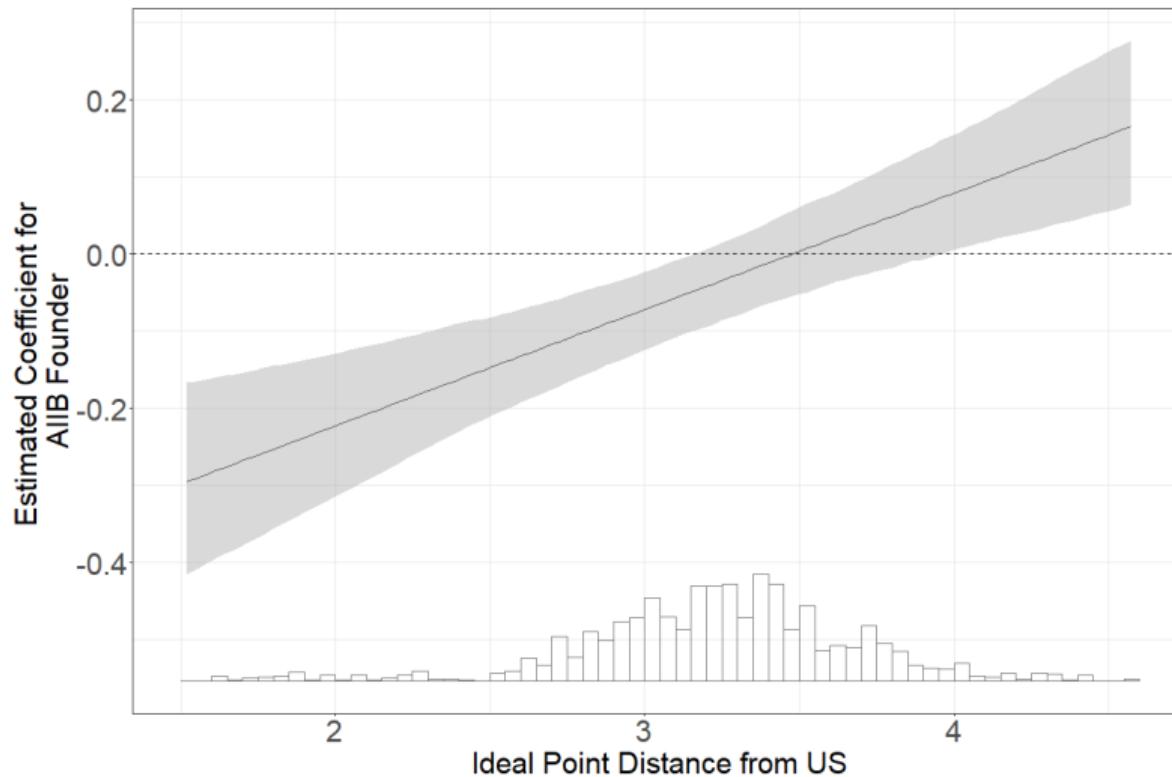
Argument: US is more likely to punish closely-aligned AIIB founders

World Bank Votes as a Tacit Signal of Punishment

- AIIB as the potential alternative to the World Bank.
- World Bank votes as clear expression of US sentiment.
- Votes cast in semi-public space with Bank's senior leadership and EDs.
- Prevailing norm toward unanimous support makes any deviation notable (Kaja and Weker 2010), especially if come from the US.

Hypothesis: Since the 2016 founding of the AIIB, the United States is less likely to support World Bank projects considered for AIIB founding members that are closely aligned with the US.

↓ US Support for Closely-Aligned AIIB Founders after 2016



▶ Table

Implications

- US casts unsupportive votes in the World Bank against AIIB founders that were more closely aligned with US preferences, exempting more distant countries.
- World Bank votes as a form of gestural punishment
 - Signals of disapproval despite ultimate project approval
 - Emphasize countries' continued reliance on the World Bank for non-infrastructure financing.
- Potential competition between China-led and US-led international institutions
- The balance of attracting new allies while retaining longstanding friends.