



THE ASIAN INFRASTRUCTURE INVESTMENT BANK: DEVELOPMENT AND EXPECTATIONS

The first news about the Asian Infrastructure Investment Bank (AIIB) have come up by October 2013. During the meeting held in the course of visit to Indonesia the President of China, Xi Jinping, and the President of Indonesia, Susilo Bambang Yodhoyono, the Chinese president suggested to establish the AIIB in order to enhance the development in the Asian region and to insure economic integration. Thus, the AIIB was established with the leadership of China in 2014 and in the first step, the Asian Infrastructure Investment Bank Agreement was signed by 21 countries. Later, on 29 June, 2015 the representatives of 57 candidate charter member countries attended the Special Interministerial Meeting about the establishment of the AIIB in Beijing. 50 countries have already signed the Agreement and the signing period for the other countries will continue until the end of 2015.

The region countries that attended the Special Interministerial Meeting of the AIIB are as follows: Australia, Azerbaijan, Bangladesh, Brunei, Cambodia, China, Georgia, India, Indonesia, Iran, Israel, Jordan, Kazakhstan, South Korea, Kuwait, Kyrgyzstan, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, New Zealand, Oman, Pakistan, Philippines, Qatar, Russia, Saudi Arabia, Singapore, Sri Lanka, Tajikistan, Thailand, Turkey, The United Arab Emirates, Uzbekistan and Vietnam. Other countries outside the region are as follows: Austria, Brazil, Denmark, Egypt, Finland, France, Germany, Iceland, Italy, Luxemburg, Malta, Holland, Norway, Poland, Portuguese, South Africa, Spain, Sweden, Switzerland and the UK. The US and Japan are not included in the list.

The center of the AIIB, the purpose of which is to give financial support to infrastructural projects in the Asian-Pacific region, is located in Beijing. The director of the AIIB is elected among the representatives of the Asian countries for a period of 5 years and has a right to be re-elected for

another 5 years. The agreement includes 11 chapters and 60 articles and consists of substantial issues such as the main purposes of the AIIB, the duties and share capitals of the member countries and their voting rights in the decision-making process, the ruling procedure and the decision-making mechanisms of the AIIB. Any member country of the AIIB can also be a member of the International Bank of Reconstruction and Development (IBRD) and the Asian Development Bank (ASDB).

China considers the AIIB an alternative to the World Bank (WB) and the ASDB. According to China, these financial institutions have been under control of the US and of the allied countries. For instance, the US with the share of 15.7% and Japan with the share of 15.6% in the capital of the ASDB are the most powerful member countries whose total capital has reached \$165 billion. In turn, China has only a share of 5.5% in the capital of the ASDB. Besides, regarding China's demand, the total initial capital of the AIIB was increased from \$50 billion to \$100 billion. In other words, the capital consists of 1 million equities each of which costs \$100 thousand. Regarding the articles of the Agreement, China will pay \$29,780.4 million to the AIIB and will be the biggest shareholder of the Bank with the share of 30.34%. After China, the other two countries, which are expected to have the largest shares in the capital of the AIIB, are India with \$8,367.3 million and Russia with \$6,536.2 million.

The contribution of some other Eurasian countries to total initial capital of the AIIB is as follows: Kazakhstan with \$729.3 million, Kyrgyzstan with \$26.8 million, Uzbekistan with \$219.8 million, Azerbaijan with \$254.1 million, and Turkey with \$2,609.9 million.

According to the Agreement, at least 75% of the capital should belong to the Asian countries. The share of countries outside the region will con-

stitute 25% of the capital. Germany with \$4,484.2 million has the largest share among the Non-Asian countries. 20% of the capital should be supplied immediately but 80% could be supplied when needed.

According to the experts, the contribution of China to the AIIB will help China to keep de facto control on the AIIB. In this regard, the AIIB is aimed to be used as a financial institution of the "Silk Road Economic Belt" Project, which is suggested by the President of China, Xi Jinping. In other words, the main purposes of the AIIB have been declared as supporting infrastructural projects including road and airport constructions, antenna base and middle-class flat construction in Asia and enhancing financial cooperation in the region. For instance, it is expected that the first project that will be supported by the AIIB will be the construction of the Beijing-Baghdad direct railroad. But for now, no exact information is available about total costs of this project and the route of the railroad (which countries are included in the route).

It is widely known that the Chinese government has been making huge infrastructural development expenses in China. The AIIB is expected to provide great opportunities for developing Asian countries with Chinese experience on capital, labor force and infrastructure and to contribute to further development of the Chinese economy. Moreover, this project can increase China's contribution to the global financial system and can support Yuan to be used as an international currency. As a result, the Agreement is expected to enter into force until the end of 2015 (after being ratified by 10 Asian countries who own 50% of total capital) and the AIIB is expected to start operations by 2016.

Politics, Foreign Affairs and Security Economy, Finance and Energy

- The President of the Russian Federation, Vladimir Putin, changed the date of the parliamentary elections from December 2016 to September 2016. Many parties in the Lower House of the Parliament believed that it would increase voter turnout.
- After two-week period of intensive negotiations Iran and the P5+1 group, comprising China, France, Russia, the United States, Britain and Germany, reached an Comprehensive Nuclear Agreement to ensure the peaceful nature of Tehran's nuclear program and to ease sanctions against the country. In the framework of the Agreement, the Atomic Energy Organization of Iran and the International Atomic Energy Agency signed a roadmap for the clarification of possible military aspects of Iran's nuclear activities. A new resolution on Iran, which would change previous decisions about the nuclear issue, has been already officially submitted to the United Nations Security Council.
- The Foreign Ministry of Kyrgyzstan issued a note of protest to the United States' Charge d'Affaires, Richard Miles, a day after the US State Department decided to grant a human rights award to a local protester, who was convicted of organizing deadly ethnic clashes between Kyrgyz and Uzbeks in southern Kyrgyzstan (Osh and Jalal-Abad) five years ago. The Ministry also announced its intention to denounce the Kyrgyz-US Cooperation Agreement signed in 1993.
- The US and Cuba reopened embassies in their countries for the first time in 54 years in a move to officially restore their full diplomatic ties.
- The Ministry of Defense of Finland begun preparing new military units to be deployed at its Russian border as part of the strategy of expanding northern military cooperation with Norway, Sweden, Denmark, and Iceland to amid possible Russian aggression.
- The Ministry of Defense of Russia announced that the first two diesel-electric submarines of Project 636 (Novorossiysk and Rostov-on-Don) were successfully tested in the Northern Fleet and would be transported to the Black Sea Fleet.
- The first high level meeting of the Working Group which was established at the level of Deputy Ministers of Energy of Turkmenistan, Azerbaijan, Turkey and the EU states on the implementation of the Trans-Caspian pipeline project was held in Brussels. The Working Group discussed organizational, legal, commercial, technical and other issues, related to natural gas supply from Turkmenistan to Europe.
- The Parliament of Ukraine ratified a Memorandum of Intent between the governments of Ukraine and Germany on the provision of a € 500 million loan for the restoration of infrastructure in the eastern Ukraine and for the needs of the state budget. The financial aid would be allotted to energy, infrastructure, utilities and other companies providing necessary living conditions as in the original version would be better) in the region.
- The Chairman of the National Bank of Kazakhstan (NBK), Kairat Kelimbetov, announced widening the trading band of tenge against the U.S. dollar from the current 185 +3/-15 tenge to 185 +13/-15 tenge. the lower limit of the band was kept at 170 tenge against one U.S. dollar and the upper trading limit was raised to 198 against one U.S. dollar.
- The President of Azerbaijan, Ilham Aliyev, signed a Decree on the rehabilitation measures related to the privatization of the state-owned shares of the International Bank of Azerbaijan JSC. The Decree was signed in order to maintain the financial stability of the bank, uninterrupted fulfillment of the obligations, in particular, to eliminate the negative impact of the 2008-2009 global financial crisis on the financial position of the bank.
- The Prime Minister of Ukraine, Arseniy Yatsenyuk, announced that an Agreement on a free trade zone with Canada, which would allow an access of Ukrainian goods to the Canadian market was signed. Canada would also allocate \$5 million for the development programs of law enforcement agencies in Ukraine.
- According to statistics, the real GDP growth of Tajikistan slowed down by 0.3% from 6.7% to 6.4%

in the first half of 2015 compared to the same period of 2014 and reached over 19,158 billion somonis (over \$3 billion).

- According to the Statistics Committee of the Ministry of National Economy of Kazakhstan, the investments in manufacturing industry increased by 5.3% and reached 228 billion tenge in the first half of 2015, which was 11.6 billion tenge more compared to the same period in 2014.

Society and Culture

- The Minister of Finance of China, Lou Jiwei, and the President of the World Bank Group, Jim Young Kim, signed an Agreement to establish a \$50 million trust fund to help reduce poverty in the world. The fund would begin operating in late 2015, increasing cooperation between China and the World Bank in support of sustainable growth in developing countries.
- The Ministry of Emergency Situations of Russia announced that it plans to send two planes with humanitarian aid to Yemen. The aircraft would deliver over 46 tons of humanitarian aid, including canned meat and fish, baby food and sugar.
- The Investment Facility for Central Asia (IFCA) supported the improvement of soil waste management in the capital of Kyrgyzstan, Bishkek, with a grant of €8.2 million.
- The official delegation of the Kizilsu Kirghiz Autonomous Prefecture of China led by Parhat Turdu visited Kyrgyzstan. The delegation planned to meet with the representatives of the Kyrgyz Government and with the administration of the Naryn, Issyk-Kul and Osh regions to discuss issues of bilateral cooperation in the fields of culture, arts and tourism.
- The high-ranked officials from the European Union, the United Nations and the Republic of Uzbekistan launched the Central Asia Regional Secretariat of Chemical, Biological Radiological and Nuclear Risk Mitigation Centre of Excellence in Tashkent. The Initiative would be aimed to mitigate chemical, biological, radiological and nuclear risks of criminal, accidental or natural origin by promoting improved and coordinated policies.