

China starts work on RM162.5 billion Asia infrastructure bank
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China has begun preparations to set up a multilateral bank to fund infrastructure projects in Asia, the finance ministry said today, looking to tap into demand for infrastructure growth as regional economies develop.

In a statement, the ministry said the planned Asian Infrastructure Investment Bank (AIIB) would have a capital of US\$50 billion (RM162.5 billion), paid for by its members.

It would have a mandate to fund infrastructure projects in the region, complementing the work of other such entities, like the Asian Development Bank.

"The AIIB will mainly focus on infrastructure construction in Asia to promote regional connectivity and economic cooperation," the statement quoted Finance Minister Lou Jiwei as saying.

"Existing MDBs, such as the World Bank and the Asian Development Bank, put their priorities more on poverty reduction," Lou said.

The planned bank was first announced by Chinese President Xi Jinping and Premier Li Keqiang during visits to southeastern Asian countries in October 2013.

Lou said in the statement that the first multilateral meeting on the bank ended on January 24, with some countries saying they would become founder members. The statement did not name the countries.

Funds in the existing multilateral development banks are limited and savings rates are high in many countries in Asia, so it is necessary to consider establishing a new regional platform to channel more funds into infrastructure, Lou said.

China is involved in an increasingly ugly territorial spat with some Southeast Asian countries, including Vietnam and the Philippines, over parts of the South China Sea, which has worried many in the region about Beijing's intentions.

However, China has also tried reassuring Southeast Asia that its rise will only bring economic benefits to the region. China and the Association of Southeast Asian Nations already have a free trade agreement, for example. – Reuters, March 7, 2014.

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