

China will need to be more transparent to achieve its development goals

Written by Alice de Jonge, Senior Lecturer, International Law; Asian Business Law, Monash University

Businesses and governments around the world are watching as China grows, innovates and extends its influence. We explore how the country got to where it is and what might be in store for its future in our series [Understanding China's Influence](#).

The Chinese government will have to balance its desire to build quickly with the often-conflicting demands of transparency, politics, public consultation and accountability if it wants to achieve its economic development goals in Asia. One clear example of this is the overlapping interests involved in China's Asian Infrastructure Investment Bank (AIIB) initiative, and its One Belt, One Road (OBOR) plan.

China's OBOR initiative, announced by Xi Jinping during a 2013 visit to Kazakhstan, aims to build a network of infrastructure connecting 65 countries following the land and maritime routes of the ancient Silk Road. Across land this is from China to the Mediterranean via the north and an ocean route connecting Europe with the Middle East, African and Southeast Asia.

The Asian Infrastructure Investment Bank is an important avenue for financing the OBOR and began operations in January 2016. Its 57-country founding membership largely (but not completely) overlaps with the OBOR map.

The Bank's Articles of Association states one of its core purposes is to "improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors" – the essence of what OBOR is all about. OBOR is also backed by two other recent development finance initiatives – the Silk Road Investment Fund - funded from Chinese foreign exchange reserves, and the BRICS (Brazil, Russia, India, China, South Africa) New Development Bank established in 2014.

Building the infrastructure needed for a prosperous and sustainable regional future is an aim shared by all parties to both OBOR and AIIB. But this does not mean there will not be tensions and conflicts on the way.

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For example, obvious potential for conflicts exist when OBOR extends into sensitive areas with projects that are also funded (wholly or partly) by the AIIB. However the first four infrastructure projects financed by the AIIB are based in countries that generally close to China geopolitically.

Pakistan, Tajikistan and Uzbekistan, for example, are all members of the China-centred [Shanghai Cooperation Organization](#), and all three states have benefitted from AIIB funding. Tajikistan and Uzbekistan benefit from the AIIB financed expressway extending from Dushanbe (capital of Tajikistan) to the Uzbek border. Pakistan benefits from the M4 highway project comprises 64 kilometres of tarmac stretching from Shorkot to Khanewal in Punjab province.

Pakistan is also India's nuclear neighbour and frequent adversary. This M4 highway is a concern for the Indian government as it worries about the strategic implications of plans for a China-Pakistan economic corridor.

However the fact that early AIIB-financed projects have been based in countries closely aligned to China doesn't mean that China can control infrastructure development in Asia through its role in the AIIB. In particular, all except one of the first four AIIB-financed projects are co-financed with other international development banks.

In Pakistan, the Asian Development Bank is the lead financier for the M4 highway project on behalf of AIIB and the UK Department for International Development. In Tajikistan, the AIIB works with the European Bank for Reconstruction and Development. A third project, a slum improvement project in Indonesia, is co-financed by AIIB and the World Bank.

AIIB framework agreements tie the bank into a network of global alliances, guidelines and principles governing development finance, project assessment and management. These include not only fiduciary principles and standards, but also standards for reporting and transparency, for meeting environmental guidelines in project management and for internal governance. This includes integrity and anti-corruption measures, which the AIIB will need to absorb and respect.

AIIB is currently building a set of internal operational policies that are largely in line with those of other development banks. These include an Operational Policy on International Relations to address potentially complex issues arising in connection with politically sensitive projects,

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including those based in a disputed land area or an international waterway.

Just like its international peers, the AIIB has been criticised for its lack of transparency and willingness to consult. Civil society representatives at the first AIIB AGMs held in June 2016 [we re offered little more than a chance](#) to listen to two 90-minute seminars on a Sunday morning by way of access.

What remains to be seen is whether and how the AIIB will honour the commitments made in its own [Public Information Interim Policy \(January 2016\)](#) to “enhancing transparency and accountability in all its activities”.

The rounds of public consultation on an Energy Strategy Issue Note recently issued by the AIIB are promising. Cause for concern is the scope of the various exemption clause provisions in the Public Information Interim Policy. These allow third parties, including project partners and member countries, to provide information to the AIIB on condition that the information will not be publicly disclosed.

Together with its AIIB partners, China is still feeling its way towards being able to facilitate an infrastructure framework for the region. What can be said is that neither the AIIB nor OBOR can be seen as simply a tool for furthering China’s geopolitical strategic interests. Both provide additional forums where China can engage with regional neighbours and forge international infrastructure linkages.

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