

Potential for Strengthening the NDB's and AIIB's Role in the Global Financial System¹

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Abstract

New multilateral development banks that became fully operational just three years ago – the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) – have actually finished their formation and built large-scale project portfolios. Nevertheless, emerging economies' needs and new banks' aspiration for a greater role among international financial institutions pose a number of further challenges.

This article aims to assess the trajectory of the new institutions and to identify their potential contribution to the transformation of the global financial system in accordance with interests of their key shareholders – emerging markets and developing economies.

The authors consider key channels for increasing the NDB and AIIB influence in the system of multilateral banks, assess the progress achieved by the two banks, and identify risks and prospects for further strengthening the positions of the two institutions.

The authors conclude that the NDB needs to integrate a number of additional measures into its medium-term strategy in order to increase its loan portfolio and expand its geography, and also specify the steps the strategy contains to expand the scale of operations, taking into account the identified opportunities and risks. Unlike the NDB, where there is formally no single country leader, the prospects for further strengthening the AIIB positions depend on several key factors, mainly determined by China's role in its capital and governance mechanisms. According to the authors, the AIIB, compared to the NDB, will be relatively more effective in overcoming the limitations for increasing the scale of operations and gaining influence among other multilateral institutions. However, the transformational potential of the AIIB, and especially the NDB, in the global financial system will remain quite limited in the foreseeable future.

Key words: New Development Bank; Asian Infrastructure Investment Bank; international financial system; development banks

For citations: Andronova I., Shelepov A. (2019) Potential for Strengthening the NDB's and AIIB's Role in the Global Financial System. *International Organisations Research Journal*, vol. 14, no 1, pp. 39–54 (in English). DOI: 10.17323/1996-7845-2019-01-03

¹ The editorial board received the article in September 2018.

The research was carried out within the framework of the RANEPA research project “Assessing the Role of the New Development Bank and Asian Infrastructure Investment Bank in Transforming the Multilateral Development Banking System.”

Introduction

Two recently established multilateral development banks (MDBs) – the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) – have quickly completed their formative periods and accumulated large-scale project portfolios exceeding \$13 billion in total. However, the needs of emerging market economies and the aspirations of the banks to strengthen their positions in the system of international financial institutions create a number of new challenges for them.

The potential impact of the NDB and AIIB on the international financial system aimed at its transformation in the interests of emerging and developing economies will depend primarily on the ability of these institutions to take positions comparable to that of the “traditional” international financial institutions (IFIs) in terms of operational scale, number of member countries and attractive conditions for borrowers. Accordingly, the transformational potential of the two banks is closely linked with the growth of their loan portfolios, expansion of membership (relevant primarily for the NDB) and development of new approaches to their activities that provide competitive advantages for borrowers in comparison with the traditional MDBs. It should be noted that members of the new banks often occupy different positions in relation to their future development. In particular, China is interested in actively expanding the lending geography of the NDB, while other countries in the BRICS group of Brazil, Russia, India, China and South Africa still consider the bank to be a source of financing for domestic projects. The interests of China, and both developing and developed member countries, are also very different in the AIIB. Thus, the different interests of key members may become an additional obstacle impeding the implementation of measures that could potentially lead to strengthening the positions of the NDB and AIIB in the international financial system.

This article identifies the potential for more active involvement by these new institutions in the transformation of the global financial system for the benefit of their shareholders, mainly emerging and developing economies, and proposes measures to make full use of this potential. It should be noted that the formation of a multipolar global financial system that meets the interests of these countries is only possible if South-South cooperation within this group strengthens. This “is important not only for development and national-sovereignty aspirations and needs of the developing countries and their peoples, but also for these countries’ greater role and influence in the world arena” [Gosovic, 2018]. At the same time, one should not forget about the purely financial aspects of the MDBs activities and the economic efficiency of the investments, which play an important role in evaluating this efficiency. However, concentrating solely on financial aspects within MDBs may lead to an increasing risk of dominance by relatively more economically developed countries (as illustrated by some examples of China’s interaction with developing countries) and, in the case of new IFIs, that they in the end will become quite similar to the traditional institutions under this dominance, with China playing the leading role analogous to that of the United States and other developed countries in the key “old” MDBs. It seems that the optimal

way to strengthen the influence of developing countries in the international financial system should be based on a combination of solidarity and consideration of mutual interests, on the one hand, and the pursuit of financial efficiency on the other. However, as this analysis shows, a clear difference is currently observed: the NDB tends to choose the first approach, while the AIIB's activities are closer to the second.

Potential Directions for Strengthening the NDB's Role in the System of International Financial Institutions

In terms of strengthening the NDB's role in the system of international financial institutions, an important task for the bank is the expansion of its loan portfolio, particularly in conjunction with the geographic expansion of its operations. An increase in the volume of the NDB's operations requires the expansion of its financial resources. A possible instrument for such growth could be an increase in the volume of the bank's subscribed capital, as provided for by the agreement on the NDB [BRICS, 2014]. Given that China has the greatest financial strength among NDB members, the most obvious approach is associated with an increase in its contribution to the bank's capital.

For example, the BRICS Contingent Reserve Arrangement, created in parallel with the NDB, makes more use of China's financial resources, which are significantly larger compared to the rest of the BRICS countries. If a similar ratio of member states' contributions to the capital were used in the NDB, its subscribed capital would be at least twice the current value, greatly increasing resources for financing projects at the current stage of the bank's development, when the volume of its funds raised in the financial market remains limited.

However, the scenario in which China's share in the NDB's capital is increased is associated with a risk of excessively strengthening China's position in the institution that formally adheres to the principle of equality among its five founding members. This could lead to a repetition of the negative experiences of the International Monetary Fund (IMF) and the World Bank with conflicts of interest among members. Thus, the rest of the BRICS countries will most likely disagree on this method of increasing the bank's loan portfolio.

Thus, the NDB may use alternative capital expansion options. One such option is to increase subscribed capital provided by new members. Several developing countries, including Turkey and Argentina, have indicated their interest to become NDB members. In the case of Argentina, the issue remained on the agenda even after its right-wing president M. Macri came to power. At the same time, the expansion of the bank's membership is not associated with the expansion of the BRICS itself. It is quite feasible, with the help of the above-mentioned countries, that the volume of the subscribed capital could increase to \$100 billion (this amount is indicated as authorized capital in the statutory documents of the bank). There are no formal challenges to expanding the NDB's membership and on 1 April 2017 a document on the principles and procedures for accepting new members was adopted [NDB, 2017b].

At the same time, the possible accession of new members to the NDB raises a number of questions. First, the views of BRICS members are different with respect to which countries may participate and the potential scale of their borrowing from the bank. Even if a consensus on this issue is reached within the BRICS, it will create challenges to maintaining the influence of the bank's founding members.

Currently, according to the agreement on the NDB, the share of the BRICS countries in the total number of votes should not be less than 55%, which is at least 11% for each country under the current equal proportions. Given the use of a special majority voting procedure for making the most important decisions, this rule ensures that the BRICS countries retain veto rights in case of expansion. The remaining 45% of the votes can be distributed among new members. One of the main criticisms by developing countries regarding the IMF, the World Bank and other IFIs is related to their vote distribution systems. Therefore, in order to avoid a predictable conflict, it is necessary to provide for a distribution of votes that is fair, transparent and clear to all members.

The NDB's vote distribution system could be based, for example, on those proposals by developing countries for IMF voting power reform that were not eventually adopted by the Fund. Most developing countries insisted on using a single indicator – a country's share in the global gross domestic product (GDP) – to calculate its share of votes. Indeed, this is the most popular and accessible indicator of a country's role in the global economy. Use of this indicator would mean that new members from the group of developed countries would get larger shares of votes but given the continuing increase in the share of developing countries in global GDP and the fact that this proposal was advanced by this group, it seems quite acceptable.

Another problem that will probably arise in the case of new members is related to the composition of the bank's governance structures. Currently, according to the agreement on the NDB, the bank has a president, vice-presidents and a board of directors made up of a maximum of 10 people. The president of the NDB "shall head the credit and investment committee, composed also by the Vice-Presidents, that will be responsible for decisions on loans, guarantees, equity investments and technical assistance" [BRICS, 2014]. In the case of membership expansion, it seems appropriate to make changes to the agreement on the NDB in advance. The president and four vice-presidents could always represent the BRICS countries. Positions on the board of directors could be distributed as follows: five places for representatives of the BRICS countries and five more for new members based on the principle of regional groups. The number of places in the latter group could be increased gradually as new states join the bank.

The strategic objective of the NDB, which is not explicitly articulated but is evident given the current role and place of the BRICS countries in the global economy and their ambitions, is to turn the bank into a full-fledged international financial organization that could become a significant analogue of large traditional MDBs. Therefore, a limit to the expansion of NDB membership should be considered. It is in this regard that it is proposed that five seats on the board of directors should be distributed among country groups. It seems that in this case the bank would continue to meet the interests of its founders in its activities.

When expanding membership, the bank will need to address the issue of the participation of least-developed countries. The membership of countries that are borrowers rather than lenders will limit the capacity for accumulating and using the practical experience of national development institutions and for attracting qualified personnel from these countries. This factor could also limit the NDB's potential to become an institution capable of substantially transforming the international financial system in line with the interests of developing countries.

To address this problem the NDB may propose a list of conditions to reduce the risks of financing projects in least-developed countries. It also makes sense to consider the possibility of establishing a special fund within the bank similar, for example, to the African Development Fund of the African Development Bank Group (AfDB). The founders of the NDB could become members of such a fund, while its funds could be used to finance projects that meet the needs of less-developed members of the bank on favourable terms, as well as provide research and technical assistance.

Developing countries dissatisfied with the principles of the Washington Consensus advocate transformation of the international financial system based on new principles that take their interests into account. However, these countries lack professional resources to develop these principles. Moreover, their previous proposals in this regard related primarily to the IMF and the World Bank, neither of which is interested in changing the current situation. Thus, the NDB, as a new institution using the professional experience of experts from the BRICS countries, can seek to develop and implement a "new Bretton Woods" by becoming the intellectual centre for the design of a new development paradigm for poor countries based on the principles of sustainability, and taking into account their national interests. It is important to note that even though the founding members of the bank have quite recently experienced serious economic difficulties, they have managed to demonstrate high economic growth. Thus, their leading role in the process will be unlikely to cause irritation or invite objection from potential NDB members.

As an alternative to the Washington Consensus, the new paradigm could be based, for example, on the Beijing Consensus (also called the Chinese Model) derived from the experience of China which experienced an eightfold increase in its gross national product (GNP) from the 1970s to the 1990s [Zhang, 2011]. Beijing Consensus recommendations on economic development, mainly aimed at developing countries, include: adherence to innovations and experiments in economic policy as opposed to the universal solution offered by the Washington Consensus; assessment of development progress based not only on GDP per capita growth, but also on other indicators characterizing the stability of the economic system and welfare distribution; and conducting an independent financial policy and developing a sound foreign policy strategy, which, according to the author of the Beijing Consensus, J.K. Ramo, directly affects economic conditions [Ramo, 2004].

Obviously, the Beijing Consensus is unlikely to replace the Washington Consensus in the foreseeable future, in part due to the very discreet official Chinese position on

this issue. At the same time, the attractiveness of its main ideas for developing countries is beyond doubt and is explained by its focus on creating an international economic order that takes into account political and cultural differences between countries, as well as diversity of national approaches to economic reforms [Dirlik, 2006].

Another approach that could potentially contribute to the expansion of the NDB's operations and the corresponding growth of its role in the MDB system is a more effective use of callable capital. This capital constitutes the major share of the bank's subscribed capital reaching 80%, or \$40 billion. This type of capital is required to cover the NDB's obligations in case of emergency. At the same time, callable capital does not affect the scale of operations of a financial institution.

Given the lack of any significant examples of MDB calls for paying this type of capital, shareholders of these institutions tend to actively incur the corresponding commitments. The problem is that the agreement on the NDB does not clearly explain in which cases the bank may request the unpaid part of its subscribed capital. This leads to caution on the part of investors and rating agencies in considering callable capital when assessing the financial performance of any MDB. In addition, because of its unclear payment procedure, callable capital has virtually no effect on financial capacities of such institutions.

In order to turn callable capital into a more effective tool to support increased NDB financing, shareholders need to clearly formulate the procedure for requesting its payment, providing for an automatic and more transparent process. Still, the significant financial resources required and the budgetary constraints of member countries will likely make such a reform politically and technically challenging.

In the short term, the NDB could use alternative ways to increase the effectiveness of this financial resource. In particular, in the case of an increase in subscriptions of existing and new member countries, they could provide guarantees instead of a part of new callable capital. For NDB members, such a replacement will not cause any difficulties since both callable capital and guarantees are contingent liabilities, and this approach could be very effective from the point of view of expanding the scale of the bank's operations [Humphrey, 2017].

At the same time, in order to offer loans at competitive rates, the NDB needs to choose loan currencies in accordance with market conditions, demand from investors and relative costs. Given the advisability of providing loans in the national currencies of the NDB members in line with de-dollarization trends in their economies, the bank should continue raising funds in the relevant markets and rely on the successful issuance of renminbi-denominated bonds. The permanent issuer status in the local markets of the member countries will allow the bank to create a positive credit history, while providing high liquidity and diversification opportunities for investors. Borrowing in national currencies will help the NDB not only to reduce the risks of a mismatch between borrowing and lending currencies, but also to attract financing at an attractive cost using a wide range of instruments in different markets. This flexibility will allow

the bank to respond quickly to changing market dynamics and adjust its borrowing strategy.

Another possible approach to strengthening the role of the NDB and its founding members in the international financial system is to take part in international credit ratings reform. The current credit rating system, dominated by the so-called “big three” agencies, increases borrowing costs for the NDB. These restrictions contributed to intensified negotiations on the establishment of a BRICS credit rating agency. At the same time, the World Bank and other traditional MDBs are also interested in reforms in this area, as they often have to follow a conservative strategy in their investments given the risk of losing their high credit ratings. A better methodology for assigning credit ratings which gives less importance to member countries’ sovereign ratings will allow many MDBs to enhance lending without significantly increasing their subscribed capital [Prizzon et al., 2017]. The entire multilateral financial system may benefit from this process, and the NDB can play an important role.

An important step for the NDB to improve the scale and geographic coverage of operations may be an expansion of the range of operational instruments used. Most MDBs use six main instruments in various combinations: loans, grants, lines of credit, equity participation, technical assistance and guarantees (Table 1). All NDB projects approved to date will be financed through loans. Taking into account the experience of other multilateral banks, it is advisable to start using other instruments provided for in the agreement on the NDB, including innovative ones such as project bonds, as soon as possible. A wide range of instruments will ensure the expansion of operations not only by increasing the attractiveness of the bank for potential borrowers, but also through the use of instruments (guarantees, project bonds) that may attract large institutional investors to project financing.

Table 1. Instruments Offered by Major MDBs

	Loans	Grants	Lines of Credit	Technical assistance	Guarantees	Equity Participation
AsDB	x	x	x	x	x	x
AfDB	x	x	x	x	x	x
IADB	x	x	x	x	x	x
World Bank	x	x		x	x	x
EBRD	x		x	x	x	x
EIB	x		x	x	x	x

Source: elaborated by the authors.

Developing practical cooperation with other banks can make a substantial contribution to strengthening the NDB’s role in the international financial system, and

creates opportunities for engaging in co-financing for major infrastructure projects, receiving consultative assistance and accumulating experience. The NDB clearly realizes the need to develop this cooperation, and it has thus signed a large number of documents regulating the parameters and areas of engagement with several multilateral financial institutions, including the Asian Development Bank (ADB), the World Bank, the Andean Development Corporation, the International Investment Bank, the Economic Development Board, the European Investment Bank, the European Bank for Reconstruction and Development (EBRD), the International Finance Corporation, the Inter-American Development Bank, the Plata Basin Financial Development Fund (FONPLATA) and others [NDB, 2018].

However, given the broad geographic representation of this relatively narrow range of member countries, the NDB needs to enhance cooperation not only with major multilateral banks having considerable experience and expertise, but also with small, subregional MDBs and national development and commercial banks. The operational scale of subregional banks with limited membership is often comparable with that of major traditional MDBs but, like the NDB, these subregional banks advocate the idea of a multipolar financial system. Further, engagement with national banks could provide better understanding of borrowing countries' specific needs. The operational development of the NDB would be difficult without joint project participation with this group of banks [Shelepov, Andronova, 2018].

It should also be noted that the NDB, despite signing numerous memoranda of cooperation with other institutions, has rarely used the mechanisms of practical financial interaction envisaged by them. Therefore, in the short term the NDB is likely to launch projects officially co-financed with other institutions. At the initial stage, they could be based on standards and practices of partner institutions and carried out with their leading role. In the future, as the NDB accumulates its own experience, its role should be transformed into the main co-financing institution.

Some recommendations for strengthening the NDB's role in the system of international financial institutions were set as its medium-term priorities at the second annual meeting of the board of governors in April 2017, where the NDB's Five-Year Strategy (2017–2021) was principally approved. The board of governors, at its meeting on 30 June 2017, adopted the final document [NDB, 2017a]. The adoption of the final strategy means that the NDB has chosen its preferred business model, which it intends to follow in the medium term. The strategy provides for broader sectoral priorities, accession of new members and practical engagement with national and multilateral institutions in the areas of co-financing and knowledge sharing. At the same time, the NDB's entry into the trajectory of sustainable and large-scale infrastructure financing can help not only narrow the investment gap, but also strengthen the bank's position in the process of reforming the global economic governance system and expand the rights and influence of emerging economies and developing countries. Some steps to strengthen the NDB's role in the international financial institutions system and relevant progress assessment are presented in Table 2.

Table 2. Opportunities for Strengthening the NDB's Role in the International Financial Institutions System

Increased capital subscriptions by the existing members	Not started
Increased capital subscriptions by new members	Perspectives are considered
Becoming the intellectual centre for the design of a new development paradigm for poor countries based on the principles of sustainability, and taking into account their national interests	Not started
More effective use of callable capital	Not started
Participation in international credit ratings reform	Not started
Increased operational use of national currencies	Limited to loans and bonds denominated in renminbi
Expanding the range of operational instruments	Not started
Enhancing practical cooperation with other banks	Mainly declarative

Source: elaborated by the authors.

Table 2 shows that NDB actions able to contribute to the transformation of the international financial system or at least to strengthening the bank's role in it are still limited. To achieve the projected approved financing volume of \$32–44 billion by 2022 [NDB, 2017a], the bank needs to consider the possibility of integrating into its five-year strategy some of the recommendations mentioned in this article, for example, regarding the more effective use of callable capital, and also specify measures aimed at expanding the scale of its operations, taking into account the opportunities, risks and recommendations presented above.

Opportunities for Strengthening the AIIB's Role in the International Financial System

Unlike the NDB, where there is formally no single country leader, the AIIB is obviously dominated by China. Although China has not “abused” its role, the country's share in AIIB votes predetermines the possibility that China can affect key decisions within the bank. China's position largely determines the specifics of the institution and its potential role in the global financial architecture. In terms of the number of member countries and projects, the AIIB is far ahead of the NDB and the leading role of China, its financial strength and its ability to contribute “own resources” through various funds and national banks ensures the rapid geographic expansion of the bank's activities. Consequently, the AIIB is more likely to quickly become a full-fledged equivalent of other large multilateral development banks. To further increase the scale and geographic coverage of operations, the AIIB can establish special funds as provided for in its statutory documents, and use them to finance the same projects as from the bank's ordinary resources. These special funds, in turn, can use the substantial financial resources of China's national investment funds, such as the \$40 billion Silk Road Fund.

Currently, the AIIB considers attracting new members as the main factor in its successful development and strengthening position in the international financial system. Despite different positions on establishing the bank, most of the major Asian and global economies (except Japan and the U.S.) have supported it. In this regard, the AIIB will likely continue its efforts to create a positive international image in order to attract interested countries and thereby strengthen its influence. Further negotiations with potential members suggest a high likelihood of achieving the AIIB's goal of increasing the number of member countries to one hundred or more in the short term [AIIB, 2016]. At the same time, potential disagreements between members, along with the rapid growth of the membership, may pose a challenge for the bank that should be considered.

The large number of members providing subscriptions to the AIIB's capital, as well as participation of key non-regional economies (developed countries), contributes to the expansion of the bank's activities. The first of these factors helped the AIIB to accumulate a large project portfolio. The impact of the second factor, that is, the participation of developed countries, may become decisive in the near future when the AIIB, given its highest credit ratings from leading global agencies, will start raising funds in the financial market. This wide range of borrowers implies that the AIIB, unlike the NDB, will provide financing mainly in U.S. dollars. However, it seems that it is expedient for the bank, given the formation of a new multipolar world economic order, to also expand operations in yuan – a currency that in the future may become much more important for the world economy.

De-dollarization of developing economies is an issue that is actively discussed at various levels. Settlements in renminbi are estimated to account for about 5% of the total trade between 55 countries along the route of the One Belt One Road (OBOR) initiative. The National Bank of China has signed agreements with 36 central banks on mutual settlements and payments in national currencies. Renminbi clearing services were launched in 23 countries, covering Southeast Asia, Europe, the Middle East, America, Oceania and Africa.² As of the end of 2017, the central banks of more than 60 countries used the yuan as a reserve currency (Table 3).

China, being one of the leading trading and investment partners of these countries and actually using the AIIB as one of the tools to implement its OBOR initiative (although officials tend to distance the bank from the initiative), can strengthen the position of the yuan. While it is beyond the scope of this article to examine the expediency and activeness of this process, it can be noted that within the framework of the AIIB China could stimulate, based on the NDB experience, a gradual move toward diversifying lending currencies, reducing the share of dollar-denominated loans and issuing loans in renminbi. China's active support of the bank is a significant source of strengthening its positions among other IFIs and is one of the elements of the international financial system's potential transformation and, in particular, de-dollarization.

² Including Canada, the U.S., Chile, Argentina, the UK, France, Germany, Russia, Qatar, the UAE, Hungary, Switzerland, Luxembourg, South Africa, Zambia, Thailand, Korea, Hong Kong, Macao, Taiwan, Australia, Singapore and Malaysia.

*Table 3. Renminbi (RMB) Positions in the International Monetary System
(as of the end of October 2018)*

	USD	EUR	GBP	JPY	RMB
Share in global GDP based on PPP, %	15.3	12.9	2.3	4.5	18.7
Share in the SDR basket, %	41.73	30.93	8.09	8.33	10.92
Share in official international reserves, %	57.1	18.1	4.1	4.6	1.7

Source: [IMF DataMapper, c. a.; IMF, 2018a; 2018b].

In addition, in order to strengthen its positions in the global financial architecture, the AIIB, like the NDB, will likely seek to expand the range of its operational instruments. Currently, the bank provides loans and participates in equity of several infrastructure initiatives. In the future, it may start using innovative instruments, such as project bonds or derivatives to hedge risks, especially given its plans to attract large-scale private investment in infrastructure.

Most of the AIIB's projects provide for infrastructure investments in the countries participating in the OBOR initiative. They were initially offered for implementation by other multilateral development banks or the governments of the countries concerned, and the AIIB acted as co-financier in these projects. It is obvious that in the future the bank will move away from this practice: in its strategy to mobilize private capital for infrastructure, the AIIB provides for an increase in the number of projects where it will participate as a sole or main financing institution [AIIB, 2018].

It is important that this process proceeds gradually. An abrupt AIIB move away from other institutions' practices – which are typical of the majority of joint projects approved to date – would risk a reduction in the quality of their implementation and monitoring, leading to deterioration of the bank's reputation and increased costs of raising funds. In the longer term, as the bank works more closely with business representatives and governments of member countries, expands qualified staff and accumulates its own competencies, as well as develops its special project preparation fund, it will be expedient to increase the share of its own projects in the portfolio.

Most of the AIIB's activities in the medium term should be carried out in South-east, South and Central Asia. The need to maintain this geographic focus is explained by significant demand for infrastructure investments in the region, as well as active involvement of other MDBs that are potential competitors of the AIIB. At the same time, despite China's interests, other major shareholders, including Russia, should ensure a gradual expansion of the geographic scope of the bank's activities in order to meet the interests of developing countries from other regions of the world.

Another important factor for strengthening the AIIB's role in the international financial system is a strategy of cooperation with other institutions. In addition to traditional multilateral banks it is advisable for the AIIB to establish cooperation with other newly founded or planned institutions with similar goals, primarily the NDB.

This partnership could be promoted by China, which has significant influence in both institutions.

Given the specifics of projects supported and considered by the AIIB, in the short term the bank will likely continue to develop cooperation with other MDBs and participate in syndicated financing, using the best practices developed by these MDBs for their preparation and monitoring of projects. Implementation of projects in cooperation with major MDBs, including the World Bank, the ADB and the EBRD, will help reduce risks for the AIIB itself and accumulate competencies and experience within its own business model, increase awareness and trust of investors and potential partners, and provide the possibility of participating in “ready-made” large-scale projects on the basis of official co-financing.

At the same time, at least one of the projects considered for implementation – construction of the Mumbai metro line 4 – indicates that co-investors will be determined by the bank itself [AIIB, 2017]. Given the need to increase the AIIB’s independence and meet the interests of the emerging market economies that are its main shareholders, one should also expect the launch and expansion of its participation in official co-financing with other multilateral banks as the main co-financing institution.

An important way to strengthen their respective positions in the system of international financial institutions for both new banks is the development of mutual cooperation between them. Despite both banks’ formal support, their practical engagement has not yet started. At the same time, the role of major shareholders, similar specialization and overlapping country priorities predetermine the possibility of fruitful cooperation between the NDB and AIIB, primarily in the framework of official co-financing for large-scale infrastructure projects in the countries that are members of both institutions (BRICS states). A memorandum of understanding between the two banks was signed on 1 April 2017. Similar to documents with other MDBs, despite mentioning a wide range of possible cooperation formats, such as exchange of information, including databases, research preparation and publication, joint seminars and conferences, professional exchanges and co-financing of projects, the document is merely declarative. As a result, despite the obvious expediency of cooperation between the new development banks, this potential is not fully utilized at the moment. For successful cooperation in the most important area – co-financing – the NDB and AIIB should first agree on its parameters. In this regard, it is advisable to conclude a co-financing document, similar to the framework for agreement on co-financing between the World Bank and the AIIB.

Thus, the future role of the AIIB in the international financial system depends on several factors that can have a different impact depending on the specific situation. The most important element of the bank’s development scenario is the role of China in its capital and governance. If the AIIB takes into account some recommendations presented above in a timely manner and effectively uses the financial and political resources of its main shareholder, it will be able to overcome the current limitations to dynamic operational growth and strengthened influence among other multilateral in-

stitutions, thus also contributing to the transformation of the international financial system in the interests of its main shareholders.

Conclusion

Although the new development banks have quite quickly moved beyond their formative periods and accumulated large-scale project portfolios, the needs of emerging market economies and the aspirations of these new banks for a greater role in the system of international financial institutions set a number of new objectives.

For the NDB, the best way to strengthen influence among other IFIs is to increase its loan portfolio, including in conjunction with its geographic expansion, based on the principle of equal rights of participants and stimulating cooperation between emerging markets (South-South cooperation). The bank may consider integrating into its medium-term strategy a number of additional measures and policies, for example, with regard to more efficient use of callable capital, and also specify some actions it already provides for to expand the scale of operations, taking into account the opportunities and risks identified above.

Unlike the NDB, where there is formally no single country leader, China certainly dominates in the AIIB. China's role determines the specifics of the institution and its potential role in the global financial architecture. Prospects for further strengthening the AIIB's position depend on several key factors, determined mainly by the role of China in its capital and governance structures and the ability of the bank to address economic efficiency challenges. Using Chinese financial and political resources, the AIIB, as demonstrated in this article, will likely overcome the current limitations to a dynamic increase in the scale of its operations and will gain influence among other multilateral institutions more easily than the NDB. However, even for the AIIB the transformational potential with regard to the global financial system will remain limited in the foreseeable future, while measures aimed at increasing the influence of the two institutions will face obstacles, in particular due to the different positions of the members regarding their future functioning and development.

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Возможности усиления влияния НБР и АБИИ в глобальной финансовой системе¹

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Азиатский банк инфраструктурных инвестиций (АБИИ) и Новый банк развития БРИКС (НБР), полноценно функционирующие всего лишь три года, фактически завершили этап становления, сформировав достаточно масштабные портфели проектов. Тем не менее нужды стран с формирующимися рынками и необходимость укрепления позиций новых банков в системе международных финансовых институтов ставят перед ними ряд новых задач.

Целью данной статьи является оценка траектории развития двух новых институтов и выявление возможностей их влияния на глобальную финансовую систему в интересах ключевых акционеров – стран с формирующимися рынками.

Авторы рассматривают направления, по которым возможно усиление влияния НБР и АБИИ в системе многосторонних банков, оценивают достигнутый прогресс, риски и перспективы дальнейшего укрепления позиций двух институтов.

По результатам исследования авторы приходят к выводу, что НБР для наращивания кредитного портфеля и расширения географии деятельности, возможно, будет практически полезно интегрировать в свою среднесрочную стратегию ряд дополнительных мер, а также конкретизировать содержащиеся в ней шаги по расширению масштабов операций с учетом выявленных возможностей и рисков. В отличие от НБР, где формально нет единственного странового лидера, перспективы дальнейшего укрепления позиций АБИИ зависят от нескольких ключевых факторов, определяемых в основном ролью Китая в его капитале и механизмах управления. АБИИ, по мнению авторов, будет легче, в сравнении с НБР, преодолеть ограничения для динамичного роста масштабов операций и усиления влияния среди других многосторонних институтов. Однако трансформационный потенциал в отношении глобальной финансовой системы АБИИ и тем более НБР в обозримом будущем останется крайне ограниченным.

Ключевые слова: Новый банк развития; Азиатский банк инфраструктурных инвестиций; международная финансовая система; банки развития

Для цитирования: Андропова И.В., Шелепов А.В. (2019) Возможности усиления влияния НБР и АБИИ в глобальной финансовой системе // Вестник международных организаций. Т. 14. № 1. С. 39–54. DOI: 10.17323/1996-7845-2019-01-03

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¹ Статья поступила в редакцию в сентябре 2018 г.

Исследование выполнено в рамках научно-исследовательской работы государственного задания РАНХиГС «Оценка роли Нового банка развития БРИКС и Азиатского банка инфраструктурных инвестиций в трансформации системы многосторонних банков развития» (2018 г.).

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