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## **To join or not to join: The AIIB and the EU's dilemma**

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Next week, China will reveal the official list of 'founding members' of its new Asian Infrastructure Investment Bank (AIIB). The US strongly opposes this new China-led multilateral institution, arguing that it will compete and overlap with existing institutions such as the Asian Development Bank (ADB) or the World Bank (which are largely dominated by the US and Japan). On 31 March, 58 countries had applied officially to join the new Bank, including 14 EU Member States: Austria, Denmark, Finland, France, Germany, Hungary, Italy, Luxemburg, the Netherlands, Poland, Portugal, Spain, Sweden and the UK. A lot of press articles have been published on the various controversies that surrounded this process, in a number of major newspapers. What was striking to this author, however, was the lack of debate in many other EU capitals – and at the EU level itself. Is this a sign of a lack of strategic thinking, or of Europe's irrelevance? This short comment looks into some of the pros and cons of joining the AIIB.

As a preamble, it should be noted that China's lobbying to get Europeans on board – and the US lobbying against it – suggest that Europe is still a relevant player in global power games. Of course, Europe is no longer the centre of gravity of the international system, and there are no more 'great powers' in Europe – mostly small and smaller ones. However, Europe is still courted by major powers, although perhaps less and less for its resources and expertise than for legitimacy purposes.

In its weakness, Europe still has some power – but it must use wisely what is left of it. By joining the AIIB, EU Member States have offered significant legitimacy to the nascent institution, to the greatest delight of China's leadership. But what did they get in return? Evidently, some of these countries plan to reap economic benefits from their decision. At a more strategic level, European support to the AIIB could be seen as part of a broader strategy to 'multilateralise' China, as European governments have long encouraged China to play a greater role in the multilateral system. China is an indispensable member of the multilateral system as a rising great power. Ensuring its commitment to multilateral principles could be the best strategy for a smooth power transition. Ironically, European overrepresentation in the multilateral system is the main cause of China's underrepresentation and discontent with it. The European membership to the AIIB is thus a 'cheap' support for a multilateral China, dodging the issue of a broader multilateral reform.

Some officials from EU member states claim that their decision to join the AIIB was partly motivated by the ambition to shape and influence the new institution from within. Indeed, there are numerous concerns and unknowns about the AIIB, notably with regard to its governance mechanisms, standards for projects (e.g. environmental) and complementarity with existing multilateral bodies. It is surely easier to influence things from the inside than from the outside but, eventually, it is unclear whether Europeans can really influence China at all. Europe's uncoordinated response to the AIIB and China's ability to divide and rule suggest that it will be difficult.

Coordination will partly depend on the list of EU Member States that will eventually join or not. The fact that no EU country has taken an open stance against the AIIB could suggest that most are still considering applying, even at a later stage. They are probably weighing the costs and benefits of a possible membership. The main cost is financial, as countries have to provide capital to the AIIB. For

many countries, like Belgium, finding fresh capital is not easy in these dire financial times. Another cost relates to the relationship with the US. Many small EU Member States do not want or simply cannot afford to confront the US as frontally as big Member States. In this case, a change in the US position could ease the decision for some governments. Among the benefits, there is surely a matter of prestige – but that applies mostly to the ‘founding member’ status, which ended on 31 March. A more tangible benefit relates to the possible contracts that European companies could obtain as a result of infrastructure projects launched by the AIIB. The problem with that, however, is that smaller EU Member States do not have many companies that can undertake such major projects, let alone compete with German, French or Chinese companies. If anything, companies from smaller countries could get some marginal benefits through sub-contracts. In a less direct manner, some EU Member States could also benefit economically from better relations with Beijing, as a result of their political support to the AIIB.

As EU countries assess their options vis-à-vis the AIIB, some may consider a middle-way. Considering that an AIIB membership is too costly, some could ask for an ‘observer status’, which has not yet been put on the table. This would be a low costs-low benefits option, and yet a sufficient move to keep good relations with China. Some Member States could also try to pool resources together and join the AIIB as a constituency, although this would dilute their influence within the AIIB. It is also unclear whether China is willing to accept it. Alternatively, some member states could also push for a European Invest Bank (EIB) membership as an indirect contribution to the AIIB, since all EU Member States are represented on the EIB’s Board. But it is equally unclear how China would react to this.