
The Impact of Asian Investment Bank on China's Economy and Its Challenges Analysis

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Abstract

October 24, 2014, including China, India, Singapore, including 21 members of the first batch of founding members of the intention of the finance ministers and authorized representatives in Beijing signed a joint decision to set up the Asian Infrastructure Investment Bank. The establishment of the Asian Investment Bank, initiated by China, the lead, which China's future economic both positive impact, there are some challenges.

Keywords

Asian Investment Bank, China's economy, Impact, Challenge.

1. The Origin and Background of Asian Investment Bank

Asian Infrastructure Investment Bank (AIIB) is an intergovernmental multilateral development agency in Asia that focuses on supporting infrastructure development and fostering interoperability and economic integration in the Asian region. The purpose of the establishment of the Asian region in promoting the building of interoperability and economic integration process, and strengthen cooperation between China and other Asian countries and regions.

Asia's economy accounts for 1/3 of the global economy, is the world's most economic vitality and growth potential of the region, with 60% of the global population. However, due to the limited funds for construction, some countries such as railways, roads, bridges, ports, airports and communications infrastructure is seriously inadequate, which to some extent limit the region's economic development.

2. Asian Investment Bank on the positive impact of China's economy

(1) Conducive to China to solve the surplus of foreign exchange reserves and production capacity surplus

China can output mainly "iron-based" infrastructure construction, and the corresponding supporting human, material and technical support, to solve China's overcapacity problem. According to figures released by the US Treasury, China currently holds more than 1 trillion US dollars of US Treasury claims and more than 1 trillion US corporate claims. These two trillion US dollars of assets constitute the majority of China's foreign exchange reserves, China through the establishment of the initiative to establish investment banks, through the investment of excess foreign exchange reserves in an efficient way to transfer out. And to promote China's infrastructure standards while building Chinese and overseas Chinese buildings overseas, thus enabling China's infrastructure and equipment manufacturing industries to have more lasting competitiveness [1].

(2) Conducive to expanding foreign trade and investment cooperation

First of all, the establishment of Asia Investment Bank will drive a large number of infrastructure projects in Asia, while Chinese enterprises in the infrastructure construction has been a global leader, which will be a major development opportunity. Second, the Asian investment bank to invest in Asian countries to promote infrastructure and interoperability, will help build the Asian market, the further

release of the Asian economic development potential, promote regional economic development, which in turn will promote and enhance the Chinese goods Of the overseas market demand, and promote China's economic and trade cooperation with other Asian countries. Asia Investment Bank's investment can bring China's manufacturing industry standards to the international, China's manufacturing industry to bring overseas orders, digestion of excess capacity.

(3) Conducive to promoting "The Belt and Road" construction

China in 2013 proposed "The Belt and Road" initiative, aimed at promoting trade and investment cooperation along the countries along with economic development. "Asia Investment Bank" and "The Belt and Road" is a twin brother to infrastructure construction as the core of the "The Belt and Road" no investment bank can not be implemented to promote the implementation of infrastructure construction requires a lot of capital investment, a single country is difficult to complete the establishment of Asian Investment Bank can promote "The Belt and Road". Asian investment bank financing platform will be the implementation of " The Belt and Road" initiative of the financial base, through the layout of capital allocation to "skillfully deflected" approach to promote the integration of national resources, to promote "The Belt and Road" construction.

(4) Conducive to accelerating the internationalization of the RMB

The process of internationalization of the currency from the settlement, investment to the gradual escalation of reserves, a region of large infrastructure construction market, will drive China's exports on the basis of further promote the RMB trade settlement. In the Asian investment banking business, China can Asia-line credit for the pilot, while strengthening infrastructure construction in the region, it will also provide matching financing instruments for direct investment and infrastructure investment by promoting direct foreign investment to drive the RMB out, including issuance of RMB bonds in the region. On the basis of the increase in settlement and investment, to promote regional economies to increase the demand for RMB reserves [2].

(5) Conducive to enhance China's economic discourse

The current world, the economy is accelerating the integration of the region, the future of the world economy will no longer be an individual competition, but the regional group of competition. The future, who owns the cooperation group more, the greater the influence of who, of course, the stronger the competitiveness. Against such a backdrop, it is necessary for China to accelerate the integration of regional economy and enhance its regional economic impact. In a sense, the greater the economic discourse power of these regions, the greater the voice of China in the future reorganization of the international economic game. Today, China has just entered the middle from the bottom to China's ability to lead the establishment of the Asian investment bank, for more economic discourse.

3. Asia investment bank to china's challenges

(1) The contradiction between the operation of commercial principle and the short-term profit of infrastructure construction

Asia Investment Bank's main investment area is infrastructure financing. As we all know, the construction of infrastructure is often characterized by long cycle and difficult, so the investment risk is very high, the investment risks that Asia Investment Bank may face can be divided into two categories: one is the financial risk of the investment project itself, such as the construction project is interrupted, the project borrowers and even the lender's government insolvency and so on; the other is by political, military, security and other non-economic factors caused by investment risk. In the case of Asia Investment Bank, the second category of risk, in particular need to pay attention.

(2) How to better protect China's capital

China's investment in the establishment of the investment bank is very large, and part of the state-owned capital. The good part is that China can let state-owned enterprises go out; the bad part is that in the event of disputes, it can easily be seen as a government action that is raised to the level of diplomacy and politics level. Therefore, the capital to go out, you also needs more rights to protection. For example, China's high-speed rail project in Mexico, investment in Myanmar, etc. have

encountered problems, and there is still no good solution. China as the largest shareholder, to protect China's capital is an urgent need to solve the problem.

4. Conclusion

The establishment of the Asian Investment Bank, initiated by China, the lead, how to make good use of the good investment bank double-edged sword, with "The Belt and Road" and Silk Road Fund, take a good China's international economic strategy of the big chess, very test our wisdom. But we believe that with China's peaceful rise, the Asian investment bank will give the Chinese economy and the people of the world to bring more reciprocity and interests.

References

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