

THE BROOKINGS INSTITUTION  
SAUL/ZILKHA ROOM

BUILDING ASIA'S NEW BANK:  
AN ADDRESS BY JIN LIQUN, PRESIDENT-DESIGNATE OF THE ASIAN  
INFRASTRUCTURE INVESTMENT BANK

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**Featured Speaker:**

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## P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen. Welcome to Brookings. I'm Martin Indyk, the executive vice president of Brookings, and I'm really delighted to have the opportunity to host and introduce to you today Jin Liqun, who I think is known to all of you as the president-designate of the Chinese Asian Infrastructure Investment Bank.

This is a Chinese initiative, one would say probably the most consequential diplomatic initiative in recent years, the launching of the Asian Infrastructure Investment Bank, or AIIB, as it's known. Nearly 60 countries have now joined the bank, which is the clearest indication that one could have that the institution is going to play a very important, complementary role to the existing international financial institutions.

As the architects of the bank constructed foundation with intense scrutiny from around the world, it will be very interesting -- of great interest to watch how the bank will establish its rules for proceeding, and how it will distinguish itself from its Bretton Woods counterparts. There is, I think, something like a \$30 trillion requirement for infrastructure investment around the world, and a large part of that, of course, will be in Asia, and so the AIIB has I think, a critical role to play.

In that context, we are particularly delighted to have the opportunity to hear from its president-designate, Jin Liqun. The John L. Thornton China Center is sponsoring this event, and as Mr. Jin has noted to me as we came in, he's been here before and spoken on behalf of the Thornton China Center, so it's a delight, sir, to have you back again.

We had to cut off registration for this event. There were over 300 people that wanted to come and hear you today. We will be webcasting, and of course, your remarks will be available to a much wider audience. But it's not a surprise, because Mr. Jin is known not just for his new job, but for all of the jobs that he's done before then. Most recently, as chairman of the China International Capital Corporation, one of the world's largest investment banks; prior to that, as chairman of the supervisory board of the China Investment Corporation, one of the world's largest sovereign wealth funds, and as ranking vice president of the Asian Development Bank, where he managed over 60 percent of the bank's portfolio. And finally, as China's vice minister of finance, a position that capped off two decades of

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distinguished service in China's public sector.

He has a long and distinguished record, not just of public service, but of involvement in international financial affairs. And so therefore, it's a great honor for us today to host you, sir, and we look forward to your remarks. Following his remarks, David Dollar, senior fellow in the China Center will conduct a conversation with Mr. Jin. But ladies and gentlemen, please join me in welcoming to the podium, Jin Liqun. (Applause)

MR. JIN: Thank you, Martin. Good morning, ladies and gentlemen. It's really my great privilege and honor to meet you today, and I will say briefly, giving you some information about the conceptualization of AIIB and what we have been achieved -- what we have achieved and what we are going to do, and then, I would like to give you more time for Q&A.

The idea was to create a new type of development bank which turned to be called the Asian Infrastructure Investment Bank is very straightforward. That is, to promote broad-based economic and social development through infrastructure investment in Asia. As Asia is awash in liquidity, a terrible report in its ability -- recycling its huge amount of savings, at least so far as developing Asia is concerned.

The Asian market, either the goods market or the assets market has remained fragmented, partly due to the connectivity problems, which certainly is due to the inefficient infrastructure. This has led to the persistent poverty, high fertility rate and expectation of old age (sic) in security, low level education and environmental degradation due to the poor's desperate efforts to wrestle a meager living from the fragile environment.

Both the World Bank Group and ADB have contributed substantially to Asia's poverty reduction over the decades, but poverty reduction is hard to achieve, not just because of lack of funding, but more importantly because of the approach. I have a deep conviction that the poverty reduction program in and of itself will not go very far in making a difference in the livelihood of the poor and the needy.

In most of the cases, the approach needs to be refined, needs to be improved. Suppose there is a community in a remote, mountainous area cut out from the outside world, dependent on arms and charity from the government and international donors. The poor areas may be actually very rich in its natural endowment -- in natural resources, but locals have no way of tapping the natural endowments.

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The only solution, in my view, is connectivity. The ensuing economic opportunities will bridge the gap between the livelihood of the people and the outside world. It is as simple as all that. China's idea comes from its own experience. Back in 1980, when China was just embarked on its reform and opening up program, when President McNamara came to China to talk to our late leader Deng Xiaoping about China's seats in the IMF and the World Bank, you remember what kind of China it was in those days.

China was ranked among the poorest in 1980, with \$270 per capita.

It is such a disgrace for a nation which boasts a civilization of 5,000 years. Born in the 1940s, I have gone through these difficult years. The China in the 1960s and 1970s resembles a black and white picture which will never, ever fade from my memory. Membership in the World Bank ushered in an age of reconstruction and development. What came from the World Bank was not just the financial resources, but more crucially, a new development concept including efficient use of resources, training of human resources, upgrading of technology, and certainly, infrastructure development.

Massive investment in infrastructure with resources from the World Bank and later on, from the ADB, and a bilateral assistance and also, international capital all came to China to help with the development of modern infrastructure.

Starting from the mid-1990s, Chinese economy took off, and now, we have a completely different economic landscape in China. In the early 1980s, there was no expressway, no electrified railway, no power plants with generators over 300 megawatts, no high voltage transmission lines, no modern airports or seaports, no nothing.

In infrastructure -- this infrastructure development has paved the path for Chinese economists taking off, and over the last three decades, China has managed to lift 600 million people out of poverty by China's standard, and 500 million people out of poverty by the World Bank's standard. We have 70 million yet to be lifted out of poverty, but a comparatively huge task of lifting 600 million people out of poverty. I think this is a cakewalk. We can do it very easily.

Now that China is more developed and thus, can afford to provide financial resources to other developing countries in Asia, it is our turn to do something for the rest of Asia, and in a certain sense, for the rest of the world. When President Xi Jinping received a 57 country lead -- finance ministers

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and state leaders in Beijing in the signing of the articles agreement, he said, we in China have benefited from the general support from the World Bank, from ADB and the bilateral support. The Chinese will never, ever forget all that. We are grateful. It's our turn to contribute.

China's initiative was received with suspicions in the very beginning. Skeptics cast doubt on China's ability to create such a bank and to attract the supporters from Asian regions, particularly in the context of territorial disputes with some of the neighbors. Speculation ran rampant that China intended to create an arena bank that could undercut the World Bank and ADB and other multilateral institutions by the reckless lending operations with total disregard of environment and human rights.

We in China understood the background of such suspicions as skepticism. We have never overreacted to hurtful and negative comments on our initiative. We are very calm. We remain very serene.

And you see, fears, opposition and behind the screen lobbying against China could be handled by us. President Xi Jinping is very much determined to pursue this initiative. Even if we end up having only one country, only China, one man band (Laughter) running this institution, we would do it. As some of China's close friends chimed in, no, you won't be alone. At least there will be two. And I think you'll have no difficulty figuring out what is that country which at least we will be two.

But of course, it's more than two. We have 57. When I was picked by the Chinese leaders to help the Chinese working group for establishing the AIIB, I was advised by a very close friend of mine, who is an American. He came to my office when I was chairman of the CICC. He said, Mr. Jin, you have enjoyed a very good reputation over the last 40 years. Don't do it. I don't want to see your reputation destroyed by doing this. I told him, thank you very much, but I don't think my reputation will be destroyed. Indeed, it will be enhanced.

I decided to take up the onerous job of understand of understanding that the Chinese leaders intended to create a first class multilateral development institution with a 21st century governance. I would not have taken this job without this conviction.

It does not make any sense if China wants to have a bank, run a bank a la China, or the Chinese way. We have numerous financial institutions. To give you some reference, China's development bank and Ex-Im Bank have combined overseas assets in the amount of 500 billion U.S.

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dollars, more than the combined resources of all these NDBs.

It's not the amount of assets we build up, it's actually the new approach we would like to try. And we think this is very much important. It is expected that there will be a sufficient number of Asian countries to join the bank. The issue is whether the membership should be open to non-regional countries, particularly developed countries.

There is a legitimate issue if only regionals are members -- are allowed to be members. There is also a practical issue. If this is yet another international bureaucracy with excessive conditionality imposed by non-regional members -- this is a practical issue. The Asian countries, particularly the Asian developing countries are worried about the latter, and China is concerned over the former. China is more concerned over the legitimacy issue, and the borrowing countries are more concerned over the excessive conditionality.

The Chinese governmental institutions, the minister of finance, foreign affairs, the central bank and others, are involved in conceptualizing this new bank over the architect of this new bank. The bank would be positioned as a multilateral financial institution. We all agree in China that membership will be open to any country which would accept the MOU under discussion at that time, and also, certainly, the articles agreement, which was later on to be prepared.

And we all agree that governance should measure up to the highest possible standard. It is also envisaged that the bank should be developed, taking advantage of the experience of the existing NDBs, but should not be their clones. The bank should have its distinctive new features, with a combination of the merits of NDBs and those of the successful private sector companies.

The process of negotiation on MOU and later, on AOA, has been a process of trust building among all of the prospective founding members, and a test of China's commitment to cooperation with all of the other prospective founding members for this purpose.

What do you see today, the results of all of the efforts of all of the prospective founding members. A new type of development bank is taking shape. A new development bank with 21st century governance. The political and economic landscape is quickly changing in this world. Developing countries are trying to change the status quo, and want to experiment with new development and poverty reduction approaches.

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The dominant members in the existing NDBs need to consider how to improve the representation by the developing countries in all of those institutions, and bring the existing institutions closer to the client countries. AIIB is not a rival to the World Bank, ADB or any other NDBs. The leadership's dialogue between AIIB and all of these institutions has been going very smoothly, and we enjoy very, very good collegiality and a sense of corroboration.

The working group level people are working very, very well. Hopefully, AIIB will be also a boost to the reform process in those institutions, keen on reform and management upgrading. Personally, I could not possibly have designed the governance and the (Inaudible) of this bank. In close collaboration with the MOAF and experts from the World Bank, EBRD, ADB and EIB, et cetera, without my six years' of experience on board with the World Bank -- five years in the management of ADB, five years in China's Sovereign World Fund, and two years in a Chinese private company.

The articles agreement and policy papers represent the consensus of the prospective founding members. On the governance and the (Inaudible) of this new institution, this manifests the professionalism of the staff of the multilateral interim secretariat, who are mostly former senior professionals of the World Bank and other NDBs.

I'm very proud to tell you we have benefited from the contributions of a number of U.S. nationals. I'm very grateful to their dedication and their contribution. Let me quote the English poet, Andrew Marvell, who comments on Milton's "Paradise Lost." He said, "Thou hast not miss'd one thought that could be fit, and all that was improper dost omit."

Let me paraphrase. The basic documents of AIIB do not miss any important elements which are the integral components of the first class governance, and anything not suitable for a multilateral development bank has no place at all in our policy papers. Thank you very much.

MR. DOLLAR: Are we on? Great. Thank you very much. I really enjoyed that, Mr. Jin. It was very personal, and you know, part of it I found actually quite moving. I'm going to start the conversation by asking you a few questions, but we'll quickly turn to the audience, because there's so much interest.

I'm going to start with the big question. You alluded to it a little bit, but I want to go into it a little bit more.

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MR. JIN: Mm-hmm.

MR. DOLLAR: The big question that you know, people are debating outside of China is, is AIIB a challenge to the existing international order? And let me just be a little bit more specific. I think if you look at the western commentary, you know, you see two strands.

Some is relatively positive. It sees AIIB as something of a challenge, but in a positive way. You know, China taking a leadership role and trying to create more efficiency in the development bank, starting with AIIB, and potentially being spillover to World Bank, other institutions, ADB, et cetera.

And then, there's a more negative commentary which sees this as the beginning of China creating an alternative set of international economic institutions. So, I would ask you to comment on that. And you know, what would be your response to people who worry that this is the beginning of creating a new set of international institutions?

MR. JIN: Thank you. Thank you for the question.

You know, the idea of having a multilateral development institution is actually the very, I would say, fruit of the experience of the existing NDBs. The Bretton Woods Institutions, and later on, the other NDBs actually, as I said, have contributed substantially to the economic development, social development and certainly, poverty reduction.

But you should understand, Bretton Woods Institutions were created seven decades ago. ADB is going to have their 50th anniversary in 2016. EBRD was created a quarter century ago. The question was raised repeatedly, whether we need a new NDB, all these years. But NDBs came up. Super-nationals came up. But still, there is something you need to do. They cannot cover all of the areas.

That's why we believe in today's Asia, in spite of the huge amount of contribution and work by the World Bank, ADB, we still need a new developmental institution. The Pacific and Indian Ocean is vast enough. The Eurasian land is vast enough for us to have one more little NDB. What's the worry?

And some people said, this could be a huge problem for World Bank or ADB, because they say this is going to be tough in a competition. Please, don't underestimate the capability of the World Bank and ADB. This new bank is just a sibling. How can we defeat these huge giants at one fell



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swoop? It's nonsense.

I worked in the World Bank. I worked in ADB. I will be offended if you make those comments (Laughter). These are great institutions. Right? We learn from their experience, but we focus on infrastructure. We are very much focused. World Bank takes care of the poverty reduction, social programs, environment, so then, we would contribute also. But we do it in a different approach.

So, you must allow developing countries some new ideas. You must allow developing countries to create a new institution. For the first time in this world, we have a development institution, a regional bank in Asia. Asian countries are the majority shareholders -- 75 percent of the shares. Twenty-five percent for non-Asians.

MR. DOLLAR: Right. And developing countries are the majority owner. Right?

MR. JIN: But this is very much important, you know, David. Why? With only 25 percent of the shares for non-regionals, they are so keen on joining us. At least from their perspective, they do believe they have a role to play. They have a role to play in this institution. They believe the Europeans - - some other countries believe in spite of a quarter voting power, they can contribute, because they believe China is not going to be dominant a member, dictating the operations of this institution.

So, as I said on a number of occasions, this is a vote of confidence in a China led back. We will live up to your expectations. We will not abuse this vote of confidence.

MR. DOLLAR: Thank you. The last part of your response kind of leads naturally, to my next question. If some commentators in the west are worried that AIIB will be a narrow tool of Chinese foreign policy, and some of the commentary in China talks about AIIB, you know, being part of the larger, "One Belt, One Road" initiative.

So, my question is, how do you see AIIB relating to "One Belt, One Road"? And do you have some tension? You've got some big members, like India, which has expressed some concerns about "One Belt, One Road", but seems to be an enthusiastic member of AIIB. So, how do you manage that tension?

MR. JIN: You know, it's understandable. At the very outset, there were skeptics. There were questions about the Chinese motivation, because from day one, we said in the beginning, China is committed to provide up to 50 percent of the resources of this institution. That was misinterpreted,

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because the -- we say after the very beginning, when there were not sufficient members, we would like to provide up to 50 percent of the shares.

When new members come in, our shares would go down. Okay? In spite of the clarification repeatedly, still -- some people still talk about 50 percent, 50 percent, 50 percent. But you see, I said no, we are not worried, because throughout the whole process of negotiation of MOU and AOA, people understand we mean it when we say we want to work with all of the countries. China is not going to be the dominant member of this institution.

And the negotiation process itself tells the whole world how we prepared for the establishment of this bank, and how we would manage. As you know, the articles agreement stipulates that this bank will have universal procurement. This bank will have universal recruitment.

So, if we have this kind of governance, what's the worry? This bank is not created exclusively for "One Belt, One Road". This bank is created and owned by now, 57 countries, to cover all of the developing countries in Asia. Of course, some countries in the "One Belt, One Road" area are members. We certainly should help them, but we would not neglect those countries which are not part of it.

It's the bank owned by 57 countries. We have the governance, and we have all of these participants' papers negotiated and agreed upon by all of the prospective founding members. You could be 100 percent sure this bank would be operated and managed by the highest possible standard.

MR. DOLLAR: You also find some commentary in the Chinese press and on the Chinese Internet suggesting that AIIB can help China with its over capacity problem. I'm a little bit skeptical about this, myself.

MR. JIN: (Laughter)

MR. DOLLAR: But I'm just curious. How do you respond, if one of your member countries confronts you, because it's -- you know, it's frankly, not really an adroit thing to say to your neighbors, that this can help deal with your over capacity problem.

MR. JIN: With the size of China's economy, this over capacity issue should certainly be absorbed by the Chinese economy itself. Right? And I don't think it is right to say over capacity categorically. Over capacity in certain sectors, but not in all of the sectors.

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And the restructuring of China's economy can deal with this issue. And with regard to the so-called exporting of over capacity, please remember, we have a universal procurement policy, and it's open to all of the companies on a competitive basis. You know we have very competitive companies from Korea, Japan, the United States and the European countries. So, it's fair. It's fair business.

MR. DOLLAR: Okay. One more question from me, so get ready for your questions.

Okay?

MR. JIN: You can get all the privileges (Laughter). I would be protesting on behalf of the audience. (Laughter)

MR. DOLLAR: No, we have plenty of time.

MR. JIN: One more. One more (Laughter).

MR. DOLLAR: We're old friends, but that doesn't stop me from asking tough questions.

MR. JIN: You enjoy this privilege, because you are the moderator. (Laughter)

MR. DOLLAR: I've heard you speak eloquently. You didn't use the phrase today, but I've heard you speak eloquently about wanting the bank to be lean --

MR. JIN: Clean.

MR. DOLLAR: -- clean and green.

MR. JIN: Green.

MR. DOLLAR: Right.

MR. JIN: Yeah.

MR. DOLLAR: So, efficient, environmentally sensitive, fighting corruption. In practice, how -- you know, I mean, that's the frustration many clients have with the World Bank, for example, that you know, it's slow and bureaucratic. Okay? So, how do you make it lean? How do you make it more efficient, while still meeting the environmental standards and the fiduciary standards?

MR. JIN: We depend this (sic) on the governance and the regrowth implementation of the governance. To stay lean, certainly, it's not that easy, particularly as an institution develops and evolves. It's like a human body. You have to go to the fitness center every day to keep lean.

So, we have to go to the fitness center as an institution, which means you must make sure there's no redundant position. If you allow one redundant position today, there will be two, there will

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be three, there will be four. And when these redundancies become massive, it's very hard for you to cut it out. So, we have to be conscious of keeping lean.

Zero tolerance of corruption is the key for our institution to be successful, to be recognized as a first class institution. I'm sure we can do it. David, you know about World Bank selling into China, when I was director general of the World Bank department, and we managed all together, about \$40 billion of lendings from World Bank ADB. Under my leadership, not a single staff was involved in corruption cases. None of them were put in prison. Just because I implemented the anti-corruption policy.

It's the implementation. It's not the paper. It is part of some paper that matters. It's the way you deal with it in a very tough way. If you, as the head, is clean, nobody dares to do it. That's the key. So, when I left China's Minister of Finance to take over the position of vice president of ADB, my staff came to me. They said, Mr. Jin, thank you very much. None of us has ever been in prison (Laughter). I told them, is this is what I expect to achieve (Laughter)? That's the minimum. And they told me later, Chair, it's because we know you don't put a single dollar in your pocket. Nobody else has the guts to do it.

Let me tell you, my grandfather -- my grandmother -- my mother's mother is 108 years old, still alive and kicking. Thirty-five years ago, when I came to the World Bank, she heard about it. Remember, I work on the Chinese land for 10 years, earning a month how much dollars -- 30 RNB in those days. Just you know, a peanut.

And my grandmother didn't ask me, my grandson, how much money are you going to make? Now you are managing the money of the whole world (Laughter). She didn't ask me about my pay. She just said, my grandson, from now on, you will have two pockets. One is the public pocket. The other is the private pocket. Don't move a single dollar from the public pocket to your private pocket. I will never, ever forget about that (Applause).

MR. DOLLAR: Okay. Yeah, very nice response.

Okay, we turn to the public. I'll start with this woman, here. And do we have a microphone, presumably?

QUESTIONER: Yes.

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MR. DOLLAR: Yes.

(Discussion off the record)

MR. DOLLAR: This woman here in the fourth row. And please identify yourself briefly.

MS. CHEN: Thank you very much. Thanks for your discussion. Jennifer Chen, reporter with Shenzhen Media Group.

I would like to know, how do you evaluate the potential impact of the recently reached agreement of TPP to the current and future master plan of the AIIB? Thank you very much.

MR. JIN: You know, China is interested in joining TPP. For some reason, China is still not a member. But I think this issue will be resolved, with or without China's membership in TPP. China's reform program and China's liberalizationist policies would make that possible for China to have a cross border investment and trade with all of these members who are the TPP.

So, I don't think it's such a serious problem, because we have free trade zones with quite a number of countries. And I do hope that bilateral agreement with the United States would be worked out. It's very much important for the interest of the United States, for China. I do believe all my 35 years' of experience working with the U.S. in the government or in the company, businesses, it's vitally important for the U.S. and China to be working together.

Now, even though, for some reason, China could not be part of TPP, the door keeps open for U.S. membership being AIIB. (Laughter) I told the U.S. government officials -- the door keeps open. We have the standing invitation. Anytime you think you are ready, pick up the phone. Give me a ring, and we will handle the best of the business (Laughter).

And some people asked me a very interesting question. Why do you still welcome the United States, even though the U.S. rejected you from TPP? The answer is very simple. We are inclusive. We are more generous (Laughter). (Applause)

MR. DOLLAR: No, no. Sorry, I do have to defend the U.S. slightly here (Laughter), because certainly, more recently, you've had our national security advisor, Susan Rice, you know, state very publicly that the U.S. welcomes China to join TPP, in a second round, you know, to be frank. So, China is not one of the initial negotiators.

But that is the U.S.' position. You know, I think your openness is admirable, and it would

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be very positive if down the road, the U.S. joins AIIB. China is in TPP. Other big countries like India -- you know, you've got members that are not yet talking about joining TPP. But you could imagine, you know, a much more integrated economy with good infrastructure and also, with more open borders.

MR. JIN: Very good. I look forward to closer cooperation between the United States and China. I think our two nations, our two great peoples can work wonders, if we stay closely working together. And I have never doubted about this.

MR. DOLLAR: Good. Okay, other questions? Phillippe, over there? Microphone, please.

QUESTIONER: Thank you. Phillippe Le Corre. I'm a visiting fellow in the foreign policy program here. Mr. Jin, thank you very much for your very interesting speech.

I have a question. You mentioned EBRD, the European Bank of Reconstruction and Development that was set up 25 years ago, after the fall of the Berlin Wall. I would be interested in a sort of comparison with AIIB is coming to life now. I mean, obviously, it has nothing to do with politics, but you know, if you could sort of go further in your description of the -- you know, what the bank wants to do, and how does it compare with the ADB 25 years ago? Thank you.

MR. JIN: EBRD is the only multilateral development institution with a very clear political agenda. All of the other institutions are apolitical institutions, and they process financing of any loans or projects on the basis of economic considerations.

And I will say, EBRD did a wonderful job. It was very successful in helping the Eastern European countries, the Republic of the former Soviet Union. But later on, the governments of EBRD thought the mission completed. They sort of shut down this institution. You may have heard about that.

But how can you kill an institution which has been doing very well? So finally, they fine-tuned the mandate of EBRD. So, EBRD is actually working in countries which were not considered part of the recipient countries at the very outset. Now, I have had a very good discussion with Suma, and EBRD is very much keen on working with us.

So, EBRD fine tunes its mandate and also, its approaches. That's why we believe we should not be too restricted in designing the governance, and in designing the mandates of this institution. We say AIIB would be promoting economic and social developments through infrastructure investment. And the infrastructure is defined very broadly. It could be energy, power, power generation, distribution,

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transmission. It could be transport. Roads or freeways, seaports, airports, logistics, water supply, urban development rule, electrification and all these kind of things, and other productive sectors.

So, when we discuss these, some people ask of me, Mr. Jin, what do you mean by other productive sectors? I said, other productive sectors means other productive sectors (Laughter). So, we should be very liberal. And early in the days, we focused on physical infrastructure. But as we move forward, why not do something which is nonphysical, such as health, which could be a very important area.

And we do not pick out environmental protection specifically as an area of reinvestment, but this is covered by our, you know, policy papers. The financing of infrastructure must be conducive to environmental protection. We do not want to leave a footprint in the environment. We want to be promoting green economy. And let's see. We can learn. We can keep learning by doing, and I think we can improve.

But I want to highlight the point that we have drawn lots of experience from the operations of the World Bank, ADB and other institutions. This is an advantage of the newcomer. And we are working very closely together. You know, we want to have the best of the cooperation in this work.

MR. DOLLAR: I think I should get someone toward the back. There's a woman with her hand up back in the left corner there. Yes?

QUESTIONER: Hi, thank you. Jane with China SinaNews. Dr. Jin, we believe that the UK and the U.S. have different approaches toward AIIB, and you're at the front line. When negotiating with the UK and the U.S. officials, how do you find the difference? Thank you (Laughter).

MR. JIN: I see a lot of similarities, rather than differences. Both countries are advanced countries. Both countries regard a high standard of governance, international best practices. Both countries are very keen on helping the low developing countries in Asia. Both countries are major shareholders of Bretton Woods Institutions, and also, ADB. So, there are a lot of similarities.

There's only a little bit of difference. The UK was the first European country that decided to join. The United States, for some reason, had more issues to handle. So, we understand. For such a big country, you have lots of main issues on your hands. We could be very patient. Take your time.

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Thank you very much (Laughter). (Applause)

MR. DOLLAR: This gentleman right here toward the front.

Sir, I meant come forward, please. Yeah, there we go.

QUESTIONER: Thank you. I'm Cheng Weilong from -- on behalf of Medtronic. We are the largest medical device country in the world.

And my question -- and thank you for your speech today. My question is about the other productive sectors you mentioned earlier. And thanks for -- it's the first time you mentioned the healthcare in official statements. And my question is, where -- you answered my very first question first -- it's will AIIB include healthcare infrastructure in your future plan. The answer is yes.

But further, how will AIIB prioritize the healthcare infrastructure? There is no doubt that healthcare is highly relevant to the development of the country. And from smaller (sic) to the equipment in the emergency room to the building of hospitals to the reform of the health interests to the new approach in the healthcare -- we call it the healthcare infrastructure.

So, I want to understand your thoughts on these issues. Thank you.

MR. JIN: You see, we would have the operational policies approved by the future board. It's now being debated and deliberated by the chief negotiators. I think it's easier for us to reach agreement when we have the board, maybe a couple of years down the road, to do something like healthcare, because this is very much important.

I noticed the trend in Asia. In spite of the fact, the Asian countries are pretty young. But the aging population is also on the rise. It's simply masked by the large number of young population. Don't underestimate the impact of the aging population. This is something we should keep in mind.

Don't wait until the entire unit population is aging. Even in India, I saw some of the analysis. Even in India, probably, the fertility rate would be coming down. China's fertility rate is down very much, you know, fast. So, we have to be careful about that.

So, I will leave this to the future board to discuss what we will do. But for the time being, at least for the first decade of sale, we should focus on physical infrastructure. And then, we will think about expanding into other areas. Anyway, other productive sectors leave us room for maneuver. Right? Thank you.



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MR. DOLLAR: Right here.

QUESTIONER: Thank you, Vice Minister. Welcome to Brookings.

MR. JIN: (Laughter)

QUESTIONER: So, given the scale of the demand that we see in infrastructure and also, you know, the changes that have taken place, including in China, one is looking for a much larger role for the private sector in infrastructure now. But at the same time, the role of the government remains central --

MR. JIN: Mm-hmm.

QUESTIONER: -- in directing infrastructure. How do you see, in some sense, your role in catalyzing, you know, new private sector investment?

MR. JIN: That's a very important question. World Bank has IFC, which is being -- working with the private sector. ADB has the private sector operations department. We don't have separate units focusing on the private sector. We have a different approach. We can process any project, whether it's the private sector, operation or someone to guarantee the project. We can make a decision at the end of the day. Right?

So, I think our efforts to promote private sector development would be a very important part of our strategy. There are two things you need to think about. First of all, the level of institutional capability, which is the defining factor for any country in a particular historical stage. So, you cannot skip it. Right?

So, in a number of countries in Asia, probably, you have to work with the governmental institutions and the public sector to do some things, which could be reasonably sure for us that this could be a good project. Meanwhile, I think we can develop the capability of the private sector. So, I believe by working with the public sector, and also, at the same time, to promote the institutional capability of the private sector, you can achieve both.

You cannot wait until the private sector can be fully capable of doing large infrastructure projects. It's impossible. So, it's a process. Early in the years, we would do more in the public sector, sovereign guaranteed projects. This is important for us to have assurance that we will have a financial foundation built up. And this is also comfortable from the perspective of the rating companies. But I do

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believe as we move forward, we should do more in terms of the private sector operations.

MR. DOLLAR: As a follow up, can I ask, in your ADB experience, were there any good examples of public private partnership? Because ADB does have that flexibility.

MR. JIN: ADB certainly has been trying to do this. And when I was in ADB, my portfolio was 65 percent of the ADB's total lending program. And the private sector portion was not very big, because of the concern over the safety of the resources. Paradoxically, the private sector operations contributed more to ADB's balance sheets.

MR. DOLLAR: Hmm.

MR. JIN: Yeah.

MR. DOLLAR: So again, I'll go to the back of the room. The gentleman against the wall.

QUESTIONER: Thank you very much. Dong Huiyu with China, the video news agency. Dr. Liqun, thank you for a wonderful speech here. And my question for you is, it was reported by the Financial Times that after President Xi Jinping's visit to the U.S., that both sides have reached the consensus that China will support its existing financial system -- international system, and the U.S. will no longer boycott AIIB. Would you please confirm that?

The secondary is, what is your purpose of this visit to the U.S.? Is it possible in the future, that the AIIB will support some infrastructure building in the U.S., such as the high speed rail building (Laughter)? Thank you.

MR. DOLLAR: (Laughter)

MR. JIN: Thank you very much. I am an ordinary citizen of the People's Republic of China. It is not appropriate for me to confirm what our leader confirmed (Laughter).

We are very happy that President Obama is very, very positive about AIIB. Certainly, given the domestic you know -- the procedures or some other kinds of things, you know, it will take some time. But this positive stance towards AIIB is very much appreciated.

President Xi Jinping announced or reiterated on a number of occasions that China would be supporting the World Bank, ADB and other institutions by contributing to either ADF and through other bilateral assistance. Because China is a major shareholder of the Bretton Woods Institutions. China is the major shareholder of ADB.

We have to behave as a responsible member of these institutions and of the international community. So, starting up a new bank does not mean we would dilute our support for the existing institutions. We are proud to say that China is probably one of the few countries in this world which could be quickly graduating from IDA and be a contributor. So, we will continue to do that.

And as I said in my opening statement, President Xi Jinping said we are grateful to the World Bank, to ADB, to the bilateral assistance. The Chinese will never, ever forget about that. Now, by this, we mean we simply just will tell you we won't forget about it. We will do something concrete. We will be supporting.

And this is not actually, in conflict with having a new bank, because this is not China's bank. This is a bank owned by so many countries. So, I think now, a lot of people are so relaxed about this. No worries. Yeah.

MR. DOLLAR: And why are you here in the U.S. on this visit? (Laughter) That was part of his question (Laughter).

MR. JIN: You question my right to be a visitor of this country? (Laughter) Oh, certainly. Let me tell you, I have lots of you know, invitations from the U.S. governmental institutions, financial institutions, business companies, and also, IMF and the World Bank.

MR. DOLLAR: And Brookings. I thought you were here in order to speak at Brookings (Laughter).

MR. JIN: (Laughter) I was here a couple of years ago. I think that it was 2009, when I spoke to a larger audience. Then people asked me questions. Mr. Jin, do you think China wants to build a railway in the United States? You want to send you know, people working here?

I said, we Chinese helped to build railways in the United States one hundred years ago (Laughter). Not this time (Applause). So now, if we want to contribute, we may contribute financial resources, maybe some technical, you know, expertise. You do -- I say, you do have technology. Americans can build in their rapid railway without any help from any country. But perhaps, we could be more cost effective.

You know, we are not going to send a huge number of Chinese workers to do it. Don't worry. We are not going to take away your jobs. Okay? But I do believe when you upgrade your

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infrastructure in this country, that will create huge jobs for the American people. Right?

QUESTIONER: Yeah.

MR. JIN: Thank you.

MR. DOLLAR: There's a gentleman standing right next to the woman -- yeah, the gentleman right next to your right. Okay.

MR. Zang: John Zang with CTI TV of Taiwan. Thank you, Dr. Jin, for a very candid and delightful discussion. Your enthusiasm in keeping the door open for the U.S. to join is impressive. But would you extend the same welcome to Taiwan? And we all know, Taiwan wants very much to join the AIIB. Thank you very much.

MR. JIN: Thank you. Whether Taiwan would be a member or not, this is our internal family business (Laughter). (Applause) We will work this out. And if you read articles agreement, you see I would tell you, Nataly, my chief counsel is the architect of the articles agreement. She has the experience with the World Bank for many years.

Nobody is such a smart, you know, an intelligent chief counsel. She will not leave out anything which will be very much important. We say AIIB's membership is open to the World Bank and to ADB. That speaks a lot. Thank you.

MR. DOLLAR: Okay. This woman here?

QUESTIONER: Hi. So, my name is Yu Bi. I'm from the Center for American Progress. And I was wondering that -- in the draft, you know, the initial draft environmental and social standards -- so, there's a really relaxed room for investing in projects that may have like, negative environmental impacts, like new coal powered plants.

So, on one hand, like people raised concerns when they compared it to -- the standards to like other organizations, like the World Bank, that like really restricts funding new coal plants. But on the other hand, like many countries are in favor of AIIB's you know, relatively lower standards. So, given that the China itself (sic) is like really committed to reducing emission, and shutting -- have been like shutting down coal plants, I was wondering what's AIIB's coal policy? And will we see like more tightening standards -- environmental standards in the final draft? Thank you.

MR. JIN: You know, the major policy papers are almost in final shape, and we will be

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going to Jakarta, Indonesia in early November to agree or to endorse all of these policy papers. You raised an issue with regard to the pros and the cons of financing coal burning power plants. This is a very, very, I think -- I would say sensitive issue, and also, very difficult to handle.

In general principle, we are committed to promote green economy, to reduce global warming emissions. And that is something that we would uphold very rigorously. But how can we achieve this? I think on the one hand, we should minimize or should rule out any major infrastructure projects which could leave a big footprint in the environment.

On the other hand, you have a large number of poor people in Asia who need power. And how do you balance these? I cannot tell you what is our ultimate policy, because I am not a dictator. We will discuss these by the future board. Whether we would be financing coal burning projects or ruling them out altogether, I cannot give you an answer. EBRD selectively finances coal firing power plants. Selectively.

For instance, if a poor country is sitting on a huge amount of coal deposits, no gas, no foreign exchange -- so are you asking this poor country to import very expensive gas, and forbid them to build coal firing power plants? Or, you would watch these people to remain in poverty or in the dark? That's not simply an environmental problem. It's also a human rights problem.

So, what do you want to do? It is a very difficult issue. And if you said no -- we say no to coal firing power plants, the country will have no alternative but to build their own coal firing power plants.

This would be the reality. Probably, you have to accept it, like it or not.

I remember the World Bank helped us with the super critical power plants, 900 megawatt power plants in Shanghai. Super critical. And I think sequestration of carbon dioxide and sulfur dioxide is wonderful. So, can we do something to help them knock out all of those low efficient, polluting plants, coal powered, and do something super critical?

So, in final analysis, you still achieve reduction of the emissions. Right? So, there are very difficult issues and trade-offs. I cannot give you the answer, whether we will do it or not. We will have a thorough discussion, debate on our board in the future, before we can come to any conclusions. Thank you.

MR. DOLLAR: That was excellent. I think we have time for one more question. This

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woman here with the glasses.

QUESTIONER: Thank you. Zhang Yingfeng, reporter from NETM Media, Hong Kong.

Thank you both for the discussion.

My question is, in your opinions, what would be a fair credit rating for AIIB? And if it doesn't get the highest level of credit rating, you mentioned that AIIB will rely on the Chinese investors. Would the banks still stay competitive in that way?

And my second is, where and when would the first project of AIIB take place? And which are the countries that AIIB will give priority to? Thank you.

MR. JIN: We are fair to all of the borrowing countries in Asia. Whether a particular country would be part of the first batch of countries, of the recipients, it depends on the availability, bankability of the projects. I cannot say at this moment. We are having the professionals -- professional teams -- they would be preparing the projects.

So, we won't have the first project. We would have the first batch of projects. In this batch, there would be stand-alone projects prepared by our own experts. We would have co-financing with the World Bank, with ADB, maybe EBRD. So, the first batch of projects, which might be launched the second quarter of next year. So, this is what we are planning to do.

With regard to rating, you see, I think we enjoy quite a number of advantages which could be very important for the assignment of a triple A rating. First of all, this is the bank with the highest ratio of paid in -- 20 percent paid in capital. The highest.

Secondly, we have a governance. The governance is really the best. I'm very proud of it, if you compare our governance with other existing institutions. We would have talents of the highest caliber from across the world. We do not reject any nationals, even if their countries are non-members. We don't reject the professionals of the highest caliber, just because of their passports. We don't reject any companies to help develop the infrastructure, just because their countries are not members.

So, we will have the first class, top tier management, and all of the staff, down to the hired rank and file. This is the fundamental guarantee for the success of an economic institution. So, we enjoy a lot of the advantages. We do not have the track record of AIIB as an institution, but we enjoy the track record of individual managers.

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So, if you have a high quality team, there shouldn't be any problem with the performance of AIIB as we move forward. So, I think rating companies will take all of these factors into serious consideration. I certainly would hope they will treat me fairly.

However, if the worst comes to the worst, we have a huge Chinese market to tap. And I'm happy to tell you, quite a number of countries, member countries, will support AIIB. So, I'm not worried. And I certainly believe the rating companies will do a good job. Thank you.

MR. DOLLAR: Well, Mr. Jin, you've been extremely generous with your time. And I think, just to frankly answer these various questions is extremely helpful. We really appreciate you joining us. So, let's give Mr. Jin a big round of applause. (Applause)

MR. JIN: Thank you.

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