

THE BROOKINGS INSTITUTION

WEBINAR

HOW WE REBUILD: A CONVERSATION WITH  
PRESIDENT JIN LIQUN ON THE ASIAN  
INFRASTRUCTURE INVESTMENT BANK'S FIFTH ANNIVERSARY

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

GENERAL ALLEN: Good morning, ladies and gentlemen, and good afternoon, and good evening to our friends overseas, and in particular our friends coming in from China. My name is John Allen and I'm the president of The Brookings Institution. And it is a great pleasure to welcome you all today to our event at Brookings, which is how we rebuild, a conversation with President Jin Liqun on the Asia Infrastructure Investment Bank's fifth anniversary. We are deeply honored to have you with us this morning President Jin. And I know that as you begin your second five years as the president, you remain a crucial leader in upholding the AIIB's serious organization on the world stage today.

Prior to your current position, President Jin had a long and storied history in both the public and the private sectors. Of his many accomplishments President Jin served as the chairman of the China International Capital Corporation, one of the world's largest investment banks, the chair of the supervisory board of the China Investment Corporation, and the chair of the international forum of Sovereign Wealth Funds.

While the AIIB was graded only five years ago, due to President Jin's leadership and experience, the organization has grown to over 100 member countries. Indeed through its mission of helping, quote, build infrastructure for tomorrow, also known as I4T. The AIB seeks to raise the quality of infrastructure, mobilize private finance, and invest in technology to trigger not only growth, but also to set the world on a greener, more inclusive path.

And especially on the latter point, as the world slow to come to grips with the impending climate crisis, it will take all of us, not just to create a more sustainable future, but one that averts a genuine climate disaster in the years ahead. Of course like so many organizations, Brookings included, AIIB has faced a unique set of challenges this past year as the COVID-19 pandemic continues to devastate lives and livelihoods worldwide. It's a topic central to just about any discussion that anyone could have today and it's one that we will discuss shortly during the interview.

At the same time, with the inauguration just two days ago of President Joseph Biden, AIIB will see a different type of U.S. and American leadership, one focused on returning to familiar tenets

of multilateralism and shared values as well as rising challenges that will take the form of climate change and economic recovery and new and emerging technologies.

And so it is a significant moment for both the world and for AIIB, one filled with challenges, but also filled with profound opportunities. And President Jin, we are all eager to see what your role and your organization will play in the years to come in dealing with these many challenges.

So that, before we move on, I want to remind our audience today that we are live, but we are also recording. And President Jin, welcome, sir. We are so grateful for your time today. And please, if you have remarks, we would be very interested in hearing them, sir.

PRESIDENT JIN: Thank you. Thank you, President Allen. A very good morning to all of you. Please allow me to express my appreciation to President John Allen and his team for graciously hosting this event. When we last met, the world was a very different place and so was the Asian Infrastructure Investment Bank. Over the course of five years, much has happened, not least the most recent unforeseen devastation caused by the pandemic, a global health crisis that has taken so many lives, disrupted the global production chain, and put many economies in jeopardy.

The reality is that global recovery is likely to be slow, arduous, and uneven. AIIB marks as its fifth anniversary against this backdrop of uncertainty, yet we remain resilient. As we take stock of the past five years of operations, we ask ourselves what kind of world we should be rebuilding and what role should AIIB play in creating that vision. Over the course of the last five years we have undertaken deep shareholder engagement and an analysis of macroeconomic shifts in nature.

Through this work we have identified five key trends which we believe will be important drivers of the recovery in the coming years. Given that we subscribe to the idea that a sustainability and investing in sustainable infrastructure is key to our future resilience. The first trend we've identified makes it clear that healthcare is the weakest link in a global economy. Greater and more strategic investments in the health sector are needed if we are to safeguard ourselves against the next pandemic.

Fortunately, policymakers and leading thinkers are met -- are recognizing this urgent need and are responding to it. A healthy nation is a productive nation. It's critical for multilateral

development banks and our stakeholders to plan and invested in our most important resource, people. While AIIB will remain committed to investing in core infrastructure, we intend to gradually expand our capacity, role, and value added in social infrastructure to meet this demand.

The second trend is enhanced investment in climate change mitigation. This also calls for financing for the transition to common neutrality. What is critical is phasing out fossil fuel and phasing in renewable energy to ensure that growth and livelihoods will not be adversely affected throughout the entire process. It's gratifying to see global efforts toward this direction. Indeed, there is global momentum in investments in green infrastructure, but the actual volume of investment is still well below desired targets.

For our part, AIIB has set an ambitious target of ensuring that 50% of our approved financing by 2025 will be directed toward climate finance. It is important to point out that efforts to strengthen our health systems and address climate change can no longer be dealt with in silos. They are inextricably linked. We need to probe the intricate emerging pattern of the relationship between climate and health outcomes. Rebooting the global economy will require that we no longer tackle challenges in isolation. We will have to explore a new development paradigm that is environment smart and ecosystem smart.

The third trend is the heightened awareness and use of technology as a result of COVID-19. In fact, digital related sectors have been the biggest winners of the pandemic. The health crisis has changed the way we work, study, and live. As a young multilateral development bank located in Asia, a region that embraces and is at the forefront of technological innovation, we are well-positioned to seize the opportunity to invest in infrastructure that capitalizes on the latest developments in infrastructure, Infotech.

In an increasingly interdependent world digital connectivity can boost our efficiency. If we do not fully embrace this irreversible trend and if we are content to remain in our comfort zone and have no interest in navigating uncharted waters, we run the risk of losing our bearings in the not-too-distant future. New technologies can also level the playing field for low-income countries enabling them to

leapfrog on the development journey. It comes as no surprise that public budgets are struggling to recover from the economic shock of COVID-19.

Policymakers facing tough choices are forced to delay critical infrastructure investments as they focus on health crisis. As the immediate health impacts of COVID-19 eventually recede, countries will have to deal with deep economic scarring from the pandemic including wider spread bankruptcies, increased unemployment, and high debt levels. Long-term investors will undoubtedly seek safe entry point into infrastructure investments leaving economies with that overhang and weak institutions, finding it difficult to attract capital.

Bringing down debt levels, improving regulations, and increasing regulatory certainty will be critical. There will also be a premium for proven cash generating assets. All these factors will be accentuated after the pandemic. This leads to our fourth trend which is the exploration of asset recycling and privatization by cash-strapped governments to close the gap. Low interest rates and exit of some private financiers will also create openings for new operators interested in improving asset performance.

The role of an NDB like AIIB is to uncover new financing and risk sharing models to entice more private sector organizations to enter the sector in emerging markets. This is why we are aiming at the 50% of AIIB's approved financing to be in the private sector by 2030.

The fifth trend represents a mixed view for trade and supply chains. We believe in globalization and its broad benefits for all parties involved. The issue of ultranationalism and a retreat from international trade we have witnessed in recent years will continue in the near term. However, the trend is not strictly dictated by irrational thinking or unconventional policies. Rather the economy will relentlessly follow its own course. As the Chinese saying goes, those who follow the trend will prosper whereas those who resist it will perish.

Opportunities abound for investment in connectivity and cross-border investment infrastructure. New infrastructure development boosted by new technology will bring forth immediate benefits and pay off in the longer term. Global trading will eventually open up and those countries who invest smartly will be ready to capitalize on those opportunities. Five years ago we started a bank that

wished to be part of the gene pool of the NDB's family, but one with new features. Five years on our efforts continue, but the ambition has grown.

I should highlight that we at AIIB have been doing what was not expected just a year ago, providing massive budget support and a policy lending to our client members in their efforts to bring the pandemic under control and to save lives. This has been our priority over the course of 2020. And we have leveraged our systems to ensure timely delivery while we will continue to address the needs of our members and clients during this evolving situation, we have also increased our efforts in preparing our mainstream business post COVID-19.

But AIIB's investment should also evolve. We should not copy what has already been done. We will chart a new path we call the infrastructure for tomorrow. This is green infrastructure with sustainability, innovation, and connectivity all intricately intertwined at its core. This is our new mission. By investing in the infrastructure for tomorrow we will unlock new capital, new technologies, and new ways in which we address climate change and connect to Asia internally and with the rest of the world.

AIIB is a learning institution. We will not cease to pick up new technology, new expertise, or to explore new approaches to development financing. At this point, I'm happy to take questions to clarify any of the points I've just shared with you. Take you, very much.

GENERAL ALLEN: Mr. President, thank you for those terrific remarks. You've given us great insight into the organization, the five principles that you have related with respect to its vision, but you've also given us insight into your own leadership qualities and your own leadership style. We have great respect for that.

What I would like to do is to ask if there is a questions, if we could, that will probe more deeply into the subjects that you have raised. And if I may, let me start with the first one. And it talks -- it asks a bit about the journey that you have been on, now. AIIB is five years old as you have said. But what was the original impetus for establishing the AIIB? At the time there were a lot of international financial institutions and China had just established the new Development Bank. So as we say, what was the value proposition of a different entity, a new entity, the AIIB at the beginning? Why the AIIB, sir?

PRESIDENT JIN: Thank you, very much. I think this question was addressed to me quite a number of times, particularly early in the stage. And five years on it seems that a few people would question the validity (inaudible) have a new institution. But the point was that probably we need a new multilateral development institution. It's regional in its focus and it's global or international in its coverage.

As you see, I worked in the World Bank. I worked in ADB, both on the board and in the management team. I think it's wonderful to see the breadth of those institutions and all those regional development banks which patterned on the (inaudible) institutions have done over the last seven decades, half a century. They helped with infrastructure development dealing with a lot of challenges faced by the international community. But over the last three or four decades, the World Bank and ADB seems to focus very much on social center. Poverty reduction, which is vitally important, but that will leave these banks with less capital to be invested in infrastructure.

So we in Asia talked about this. We discussed the issue of the engine or the driver for sustained growth. We believe Asia has a deficit of infrastructure. So let's create a bank which focuses very much on infrastructure and other productive sectors. So as see, we do not take poverty reduction as the overriding mission. We focus on infrastructure, which we believe would pave the path for sustained development. But of course it took some time for people to come to -- you know, to achieve consensus. But I am very happy to see that over the last five years we have tried with what we did to convince a lot of people.

GENERAL ALLEN: Sir, you addressed in your remarks on several points, the issue of climate. And it's been attributed to you that you have used, and many people have echoed, the idea being lean, clean, and green. There was a concern though in the U.S., and this again, this session is to help to educate the U.S. and a global audience on the origins of the AIIB and its value proposition today, which is significant.

But there was a concern when the AIIB was first established that environmental standards would not be as strictly central to your vision as you have talked about just a moment ago.

Now five years on, how do you respond to those early critics about how AIIB would view climate and the business of being green?

PRESIDENT JIN: As you know, I work for the Chinese government for three decades before I started to take over this job of setting up this new bank. I knew when Chinese leaders would like to create a bank which would be catering to the needs of developing countries in the 21st century, the overriding concern is whether the world at large would accept it as a multilateral development bank in every sense of the word. Multilateral means you must have more countries to join this efforts in building this bank, not you doing this alone, right?

But how can you mobilize the broad masses of the people to support this? How can you bring so many countries to join? The question is very simple. The answer is very simple, standards. Only when you have very high standards could you hope to bring a number of countries, particularly countries in the West, to join and to work with you.

I visited the White House twice, a couple of times the State Department and Treasury where I have lots of friends. I clarified a lot of issues; why this bank is going to be created, and why we welcome the United States to join. And I addressed a lot of concerns such as safeguards, social, environmental social standards. In today's world, if you do something, investment without environment, I don't think people can support you. And particularly for a multilateral development bank financing or resources may not be the big issue. I think the biggest challenge is whether you will be embraced by your clients; whether people think you will be doing the right thing rather than doing the damage to the economy or their lives.

So I think even though the United States finally decided not to join, which I respect, we are -- we understand each other. I think we enhance the mutual understanding. That's why you see over the last five years we have really had a very, very good relationship with American financial institutions and business companies and also think tanks. For instance, I addressed Brookings a couple of times and I think I really enjoy this kind of a dialogue and a conversation.

As you know Bank New York (inaudible) is our dollar clearing bank and we have asset



managers such as Goldman Sachs, and Blackrock. And we have American financial institutions to serve as the lead agencies for our lead underwriters for our global dollar bonds. I really appreciate the support from your regulatory bodies that we can bring, I think our presence to the global dollar market, give the American investors an opportunity to invest in our assets.

So all this means, regardless of the membership, AIIB and the United States can work together. We can work with American people. We can work with American businesses. As you know, we have very senior people, Americans, working in our institution. I have an American national in my office. I often say, see, we are the American nerve center of this bank. It takes time for people to understand.

GENERAL ALLEN: It does. And performance in the end is what speaks the loudest, not just words, but performance. And that of course I think is undeniable over the last five years of your first term. And of course Brookings is very keen to have these conversations and I think, as you well know, one of our distinguished fellows has just a part of Brookings to be the secretary of the treasury, Janet Yellin.

PRESIDENT JIN: Yes.

GENERAL ALLEN: So we are very excited about that, that potential. And of course this lays the groundwork with new American leadership as of Wednesday for the conversation about the United States and Asia, the United States and the AIIB.

Now one of the things that we've talked about now this morning a couple of times is the issue of climate. And as you are aware, one of the very first things that Joe Biden did in the aftermath of his inaugural address on Wednesday, was to sign an executive order which returns the United States to the Paris Climate Accord.

How do you anticipate AIIB's role specifically in helping to fight climate change? And how do you think that will evolve over time? You've been involved in that, the clean green approach with respect to investment strategies. But how do you anticipate the coming years and the specific role of the bank in helping to fight climate change and now potentially as a partner with United States since we've

rejoined the Paris Climate Accord?

PRESIDENT JIN: Thank you. I had honor and privilege to meet President Joe Biden when he was vice president. And we had very good discussions when I was part of the team for the Track 2 dialogues on political issues. So is very much gratifying to see that President Biden signed into the executive decree that U.S. would come back to Paris agreement, which is really very much encouraging, very much welcome.

Now as you said, our -- as you know, our core value is lean, clean, and green. Lean means we will remain very effective without building up a bureaucracy. As I said, we would prevent institutional obesity. So we will remain lean. An remaining lien is very important for us to save each and every penny, which is the taxpayers' money.

Clean, we want to be squeaky clean. We do not tolerate corruption. Zero-tolerance corruption is our hallmark of the culture of our institution. And last but not least, green, green economy. Of course we understand it's a challenge to help those countries move away from fossil fuel. Obviously the damage done by climate change has been more evident over the recent years.

Now people are worried over the melting of the Arctic, Antarctic ice and the sea levels going up to submerge some island countries. And drastic climate, weather, all these kind of things created the problems. Now the outbreak of the pandemic has alerted us to yet another big risk. Because I do believe there is kind of relationship between environmental degradation, ecosystem debalancing, and this virus and bacteria. You know the environmental degradation will be the breeding ground for viruses, for bacteria, for all kinds of disease. So we all understand now that it's really very urgent, is the burning issue for all of us to deal with climate change.

But it's not something which any single country can handle single-handedly. It calls for international cooperation. And of course it calls for investments in renewable energy, investments which can help all of us moving away from carbon as soon as possible. So this is urgent. As a multilateral development bank created in the 21st century, this is really what we have to do.

GENERAL ALLEN: Well, I think your point is extremely important, President Jin, about

the inextricable linkage between decarbonization, smart investment strategies in that regard. But as you say, one of the realities of the pandemic is it has exposed real vulnerabilities that are in our future as we begin to see ecological degradation. And as we see the climate warming, as we see the spread of traditionally tropic diseases, potentially, into the more northern latitudes, this is a real challenge. And in many respects, that challenge can be met with smart infrastructure investment.

But specifically to COVID, as you have mentioned it, how has that, the disease itself and reacting to the pandemic, how has that impacted the operation of your organization? And how has that impacted your capacity to think strategically over the long-term? And also your partners, how are they doing during this moment of real economic stress because of the pandemic?

PRESIDENT JIN: I will break up the pandemic. The first thing we do was to provide support to all those client members which need our help. So we have to reduce our lending for the mainstream business, the traditionally defined infrastructure, and reallocate resources, \$13 billion to deal with the COVID-19. We provide budget support and policy lending and cooperation with the World Bank and ADB because they have experience in this regard. I think this response is important, which means the new bank is agile, adaptable, and can respond to the urgent needs of this country.

But I make it very much clear, once the pandemic is brought under control we will go back to the mainstream business of infrastructure investment. However, pandemic has also alerted as to risks of neglect of investment in healthcare. So in the future, we would take healthcare as part of our efforts, but we will strike a proper balance between traditional infrastructure projects and healthcare.

And by the way, we also believe digital infrastructure is very much important and that we actually take advantage of digital technology to go on with the businesses. We work from home and we continue to prepare projects by connecting with our project sponsors, host governments, by going online, having virtual meetings. Indeed, we never ceased to have this kind of meetings, interactions throughout the whole year. That is why we managed to carry on the investment which is needed.

Of course, I would say all of these development banks will face some challenges moving on because we really disrupted them. We see the disruption in our normal preparation of the projects.

But I think we can pick up the momentum later on and through digital technology. So the pandemic certainly is something very bad, but it's also, I think, help us to see some more things which we probably cannot see otherwise. How could we try to interact with each other when social distancing is required? How can we go on with the work when we could not travel when international travel is banned?

And throughout this whole process I would say that we really appreciate the support from our kind members and also the shareholders who give us huge support and who supported our adjustment of the lending program. So I think 2020 was a tough year, but it also helps understand there are really so many beautiful minds.

GENERAL ALLEN: Well, you have truly described the complexity of 2020, you know, dealing with the disease, dealing with the national reflex to turn inwards for many countries to try to deal with the disease. But as you say, there is a direct relationship between dealing with the disease and having a long-term vision and a strategy for infrastructure development and doing all of that in an environment where we couldn't be together, we have to do it digitally over long distances, has been a complexity that very clearly you have embrace. And it has in fact, I think in many respects accelerated the value of AIIB in helping to climb out of this COVID difficulty that we face today.

Let me ask I think an important question. What has been the relationship of the AIIB with the Asian Development Bank and cooperation during the pandemic?

PRESIDENT JIN: We, from the very beginning, started a very good productive, cooperative relationship with the World Bank and ADB. At that time early in the day still were really concerns and skepticism whether or not this new bank would undercut the World Bank, would undercut ADB. And I think I'm fortunate enough to have so many friends in the World Bank and in ADB. I worked in both institutions. So I tried by every means to clarify our mission and our sincerity to work in close collaboration with these two institutions.

ADB is in Asia. ADB has also a big mandate to help low income countries to reduce poverty with the concessional funding. As you know, we don't have concessional funding. So we cooperate and we understand. It's really wonderful for us to work together because when we work

together we can reduce costs. We can be more efficient. And also to a certain extent, we can help the World Bank and ADB to continue to lend to a country even when they approach the country limit.

When any institution reaches its country limit to certain country, it will have to probably reduce the lending and to stop, thereby probably be losing the opportunity of having effective dialogues with the government. So my idea is that you can reduce your lending and we chip in. We help make up for the shortage of the resources from your institution. And I told World Bank, I told former World Bank head Jim Kim, David Malpass, I said World Bank is well-established institution with more than seven decades of experience. We are very happy to work with you. You maintain your influence in the borrowing countries with whatever amount of money, we chip in. I said you remain the conductor. I just want to have a seat in orchestra playing my flute or clarinet, whatever. Give me a seat in orchestra and you go on conducting. And this is wonderful cooperation, right. And it's worked over the last five years.

So the pandemic also give us an opportunity of working together because ADB and World Bank have macroeconomists. They have country program. We don't. We focus very much on the specific sector. So the board may question our ability to finance policy lending, budget support, but when we told our board we work with World Bank, ADB, no questions asked. It's wonderful.

GENERAL ALLEN: Well, the visual of the orchestra is excellent. You joined the harmony of the orchestra rather than create cacophony. It's a complementary role as opposed to a competitive role.

PRESIDENT JIN: That's right.

GENERAL ALLEN: And that's important to understand as we go forward. You know sir, President Biden has been very clear, and you can see it in the testimony of his nominees who are right now going to the confirmation process, that there is a desire for the United States and this administration to re-embrace a commitment to multilateralism and also to continue the process of deepening and strengthening traditional relationships that we've had around the world, and in particular, in Asia. And this of course will play out with our relationship with Japan. And of course, neither Japan nor the United States are part of the AIIB.

But as you listen to the new administration and with your long experience with the United States in the past, as you say you have Americans throughout the bank, what do you think of, or what is a mean to you when you hear the United States being recommitted to multilateralism in the world?

PRESIDENT JIN: That certainly great news. And I think the U.S. as the biggest economy can contribute substantially to the international cooperation. U.S. can play a leading role in a number of areas. So we are looking forward to be working with United States and the multilateral institutions. As I said, regardless of the membership of the U.S. in this bank, we have ample space to work together. And over the last five years we have a wonderful relationship and it is of mutual benefit to us, the AIIB, and also to the U.S. financial institutions, business companies. So this will go on, no question about that.

And I think President Biden's decision to go back to Paris agreement and to focus on climate change mitigation will also create the common ground to work with China. These two biggest economies should work together to reduce -- to deal with the challenges faced by human beings. And I think a dialog will be very much helpful.

As you know, early from the 1980s I was always involved in U.S.-China dialogue. We called a U.S.-China joint economic committee and later on its SED. And even when I left Chinese government, there was a moratorium for my dialogue with the American colleagues, even though I did as I continued my contact with the American officials and business people. But that's for my business with ADB. But after I retired from ADB 2008, I was invited to join the team of the Track 2 dialogue with Henry Kissinger as chairman of the U.S. team, as the former foreign minister and state consulate (inaudible) as the Chinese team's chairman. So I had very good conversations.

I was in another Track 2 dialogue which was on businesses with former vice premier (inaudible) and McDonald of U.S. Chamber of Commerce. So this two-track dialogues, one on political issues, the other on business and trade. It's very good. I had opportunity to continue my engagement with my American friends, business officials. And that gave me the opportunity of a dialogue, which means we should talk to each other. There might be differences, but let's talk to each other. And I think

China and the United States, if they can talk to each other, see common ground, work together to deal with the challenges facing the human beings, facing humankind, that will be really appreciated by the rest of the world.

And I really wish this new administration all the best. And as a Chinese national, I certainly would like to see U.S.-China relations will improve. And as an international civil servant, I will look forward to the continued cooperation between AIIB and U.S. businesses and the people of all walks of life.

GENERAL ALLEN: Well, that's very inspiring, sir. And as you may have heard, at Brookings we describe the U.S.-China relationship as the consequential relationship of the 21<sup>st</sup> century. And I don't think it's even disputable. But we find once again, at the end of the previous administration, at the beginning of a new administration with a very different world outlook, that the U.S. and China relationship is once again at a crossroad.

From your long experience, and you've given us some of this already today in the conversation. From your long experience in international organizations and now in the AIIB, what advice can you give both China and the United States at this crossroads, at this critical moment where we face so many similar challenges for how we can be fellow travelers in this journey rather than intense competitors?

PRESIDENT JIN: I would remain humble and refrain from giving advice to both governments. But I may share with you my observation. Starting from 1980 I moved to Washington, D.C. to work in the World Bank, I started to learn about your country, your history, your people. And prior to that, I learned about America only by reading books. And 1980 gave me the chance to be physically in the United States and making friends with American people. So this was a very important period of my life and I went back to U.S. in the later 1980s and early 1990s. But of course I traveled to the U.S. every year.

So I will say, given my knowledge about your country and your people, I would say there are many, many people in your country who have vision, who have foresight, who understand what are

the most important things for the United States to pursue. Okay. And throughout your history, your history, American history, there were some kind of difficult times. But American people managed to work them out.

I recently read the book from cover to cover about Ulysses Grant by Ron Chernow. Ron Chernow is a friend of mine. And I also read some other books about your political leaders, Hamilton, George Washington. And I find you are not lacking in talents, and people with vision. So if there were some difficult times, I do believe you will get over.

In China, as you see, China has always taken the foreign policy with related -- with regard to the United States as most important foreign policy. And given my personal experience in the Chinese Ministry of Finance dealing with the United States on financial issues, I do know that Chinese leaders and Chinese political leaders, think tankers, academics, all regard United States as a very important partner. So I think on both sides there is goodwill to carry on the amicable relationship, which is so important for these two people, two peoples of our countries.

As you know, I have very good personal relationship with Dr. Henry Kissinger. And I remember what he said almost verbatim. This is what he said more than 40 years ago. He said, whatever may happen in the future, I believe the American people's friendliness towards the Chinese people will not change. And I, as you know, I know for instance the senior Bush, I was in his office early 1980s. I still keep the very good photo with him and President Bush also, and some of your political leaders. And each time I have a chance to meet them, I think they all believe this is very much important issue, how two nations can work them out.

So let me tell you, I remain optimistic. I don't think we should be held back because of some of the difficulty, some of the hurdles, or mistrust. So we should understand that misunderstanding is inevitable. But we should also understand misunderstandings can be dispelled. And this is my deep conviction and I wish these two countries all the best under the new administration of the United States.

GENERAL ALLEN: Thank you for that very optimistic and I think uplifting response. If you look behind me, you will see something that is important to my own family. And I think it really makes



the case that you have made. And that is that the relationship between the Chinese people and the American people is a very strong relationship and it will be upon the foundation of the people to people affection and the people to people relationship that we can solve those issues or we can overcome the trust deficit, we can find a way forward together as fellow travelers, as I said, in the 21st century and not intense competitors, because no one benefits from that. And there is so much --

PRESIDENT JIN: Yes. You know, when I saw some of the difficult times you have experienced recently, and I think of Ulysses Grant, I saw at that time the United States was deeply divided.

GENERAL ALLEN: Yes.

PRESIDENT JIN: But still the American people could solve the problem and be reunited. And I think American people should be proud of their experience of healing the wounds of war and bring all the different part of the people, the different sections of society together. I think you have great people. And I believe Chinese nation is a great nation. So let's work together.

GENERAL ALLEN: Well --

PRESIDENT JIN: And I'm talking to you as a Chinese national. I'm sorry. I should talk about all these issues from the international perspective. But what I see I cannot help it because I'm a Chinese.

GENERAL ALLEN: That's right. And there's no reason why we can't have this conversation at the same time we are talking about the geopolitical challenges that we face. Mr. President, let me ask you one final question. A "foreign policy for the middle class," is a phrase that you're hearing in this new administration. It's used by the Biden administration to describe not just a foreign policy for America's future, but for a policy that is relevant to our own middle-class. And you've just said we are experiencing some real challenges now between the disease and economic downturn, a national reckoning on race, which is still an issue unresolved from the end of our Civil War, as you have said in your readings about General Grant and President Grant.

As we go forward in the future, how is the AIIB thing about infrastructure development in

the context of the surging global middle class? As you say, it's a matter of helping people and improving the lot of humankind. And we have seen, up to the moment of the pandemic, a real surge in the global middle class. How is that AIIB going to be a player over the long term with your strategic vision and leadership in furthering the interests of the global middle class?

PRESIDENT JIN: You see, to create wealth for our client members is important. And we emphasize the point of creating wealth which would be fairly evenly distributed. But for many countries I would say it's certainly a challenge because many low income countries have a last -- a vast number of people who still probably are below poverty line. In developed countries, the middle income countries, I think the challenge is to help the middle income section of the society and to continue to improve their livelihood because the middle class is the stabilizing force of any society whether you have a large middle-class, middle-income class, the society will be stable. And if that's upended, you definitely will not be surprised when you see social unrest.

So as any society moves forward to middle income level, high income level, I think the crucial issue is to build up the middle income class, but that depends very much on sustained growth. The middle income class could look very strong, robust, but they are almost very vulnerable because if any financial or economic crisis hits the country, they are likely to lose jobs.

GENERAL ALLEN: Right.

PRESIDENT JIN: They are likely to lose jobs. So I think there are very much vulnerable. And there was another risk we should take care of, which is the impact of digital AI technology. They will take away a lot of traditional jobs which are the domain of the middle income class. I'm not saying new jobs will not be created. Yes, they will. But how can we help these people, particularly younger generation, to have decent jobs? To maintain a decent livelihood? That is the responsibility certainly of the government, but also that's the responsibility of all of the investors who invest for the future.

So when we say we invest for tomorrow, infrastructure for tomorrow, we think about the mission of paving the path for large number of people to move upwards towards the middle income level. In the United States, if you have a strong middle class, middle income class, if they have secure jobs,

your society is always free of troubles. And this is true of the Western European countries. So China and some other countries like Brazil, Mexico are moving towards the middle income level. And they also have to take care of this, how to make sure the middle income group of people will have a secure livelihood.

So far as our bank is concerned, as you know we do not take poverty reduction as overarching objective. What we try to do is poverty reduction through our investment in infrastructure and through increase social wealth for the society as a whole. As we often said, a rising tide lifting all the boats. So this is what we do.

I think you also know that we invest not only in low income countries, but we also invest in the higher income countries, middle income countries. But this is very much important because as a financial institution, we have to make sure we stand on firm ground. We should have very sound financial foundation. How can we do that? By investing in middle income countries, making sure our return is safe and reasonably high. Thereby we are capable of providing support to low-income countries and we can take higher risks when we support these low-income countries. That's why we have a balanced approach to develop our financing programs for low-income countries, but also we support middle income countries. I think this is very much important.

GENERAL ALLEN: No question that it is. And getting back to President Biden's intent for a foreign policy for the middle class, if the American middle class sense is that our international relations, as you say, creates a rising tide, it's not just good for our society. It strengthens our commitment to international relations and multilateralism, which of course is very much complementary to the vision of the AIIB.

Well sir, it's been wonderful to talk with you this morning. I think we are all better educated as a result of your explanation of the work of the AIIB. But I think we're also very optimistic about the future of the organization to contribute to the well-being of humanity.

We at Brookings are very proud of the work that we do on China. We believe ourselves to be a platform for respectful, civil conversations over this matter. It's been difficult over the last several years, but we believe that we are a platform and we can have the difficult conversations with China and

the United States on a Brookings platform going forward because we have to have those conversations, and in particular, the issues of the global economy, dealing with the global pandemic, and how together we can find our way for the betterment of humankind rather than to be competitors in that regard.

And one of the things that you said, sir, several times, we didn't get a chance really to explore the way I would have liked, and that's the issue of the digital future and the role of artificial intelligence as it will affect not just the future of work, but the future of workers.

And so with that, today you and I are looking at each other across thousands of miles on a computer. We hope soon for the end of the pandemic so that you can join us in Washington in person at the Brookings Institution where we can have a strong conversation about the future of technology and the future of the digital investments that need to be made with the better of both of our people, but also the betterment of humanity. Thank you for your leadership. Thank you for bringing the AIIB to our audience today, and we wish you the best, sir. And if you have a closing thoughts, we would be very grateful to hear them.

PRESIDENT JIN: Thank you. Thank you, President Allen. I will give you the standing invitation to visit our new headquarters in Beijing. Once the pandemic is behind us, I really would like to see you here. And definitely I would be very happy to visit Brookings again.

I have read so many books published by your institution and I learned so much from so many talented scholars in your institution. As you said, Brookings is such an international institution enjoying international reputation. Your books, your thoughts have inspired so many people and I wish you all the best. I think you will be the source of inspiration and new ideas to so many people across the world. I really feel very much privileged to have an association with you and your institution. Thank you, very much.

GENERAL ALLEN: Thank you.

PRESIDENT JIN: I also like to thank everybody who attends this dialogue.

GENERAL ALLEN: Thank you, sir. Please stay well and healthy.

PRESIDENT JIN: Thank you.

GENERAL ALLEN: And we will see you soon. Thank you, very much.

PRESIDENT JIN: Thank you. Thank you, very much. Bye-bye.

GENERAL ALLEN: Good day, sir.

PRESIDENT JIN: You have a nice day.

GENERAL ALLEN: Thank you.

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