Negative: Asian Infrastructure Investment Bank

By “Coach Vance” Trefethen and Anita Chen

***Resolved: The United States Federal Government should substantially reform its policies toward the People’s Republic of China.***

The AFF Plan (see MONEY IN THE BANK: THE CASE FOR JOINING AIIB) is for the US to accept the Asian Infrastructure Investment Bank (AIIB). It sounds like a great idea that pulls at the heartstrings of the judge. But there is (as always) an alternate side.

Negatives will argue that the AIIB isn't needed. There's plenty of investment capital available for countries that need it, and AIIB adds nothing to what markets can already do. The only governments that would borrow from AIIB are ones that are so unworthy of credit that they probably can't pay it back anyway. Past lending by China to poor countries has already failed, and the AIIB will go down the same failed path.

The only way it could succeed is if China completely owns the results by us not being involved, which gives them an incentive to behave properly and make it work. Either way, succeed or fail, the US is better off staying out.

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Negative: Asian Infrastructure Investment Bank

Plan has the US join the AIIB, a new bank funded with donations from multiple countries’ governments that would lend to poor, underdeveloped country governments in Asia for infrastructure projects. The US was invited to join but has thus far declined the invitation, because it is viewed as a rival to the World Bank and International Monetary Fund, in which the US has a lot more influence. AIIB was established by China as a vehicle for increasing their global influence.

NEGATIVE PHILOSOPHY

Wait and see. There’s no rush to do anything about AIIB right now. Too many uncertainties

CNBC 2015. (journalist Nyshka Chandran) 16 Apr 2015 “Why the US shouldn't worry about the AIIB” <http://www.cnbc.com/2015/04/16/why-the-us-shouldnt-worry-about-the-aiib.html>

The general consensus among experts is that it's still too early to say just how momentous the creation of the AIIB is. Details on the bank's funding as well as governance have yet to be laid out in precise form, leading the U.S. to state it will only welcome the AIIB if its standards match those of existing institutions. "There are still a lot of uncertainties. There hasn't been a new institution like this in many years," warned Philippe Le Corre, fellow at The Brookings Institution.

SIGNIFICANCE

1. AIIB has no real significance

Hype about the importance of AIIB is all nonsense

CNBC 2015. (journalist Nyshka Chandran) 16 Apr 2015 “Why the US shouldn't worry about the AIIB” <http://www.cnbc.com/2015/04/16/why-the-us-shouldnt-worry-about-the-aiib.html>

The China-led Asian Investment Infrastructure Bank (AIIB) is a symbolic institution with no real significance for the global financial system, according to some economists. "We keep hearing that this bank is an unprecedented move by China, we've never seen anything like this before, it represents a dramatic change in governance of the global trade and capital flow regime - that's all nonsense," Michael Pettis, finance professor at Peking University, told CNBC on Thursday.

AIIB is not that important and US leadership doesn’t depend on it

Robert Keatley 2015 (former editor of the Asian Wall Street Journal and the South China Morning Post of Hong Kong) 18 April 2015 “China's AIIB Challenge: How Should America Respond?” The National Interest <http://nationalinterest.org/feature/americas-big-strategic-blunder-not-joining-chinas-aiib-12666>

[According](http://www.huffingtonpost.com/kishore-mahbubani/britain-china-bank-america-decline_b_6877942.html) to Singapore academic and former diplomat Kishore Mahbubani, a persistent America-basher, the AIIB’s creation marks “the end of the American century and the arrival of the Asian century.” The claim is nonsense—the bank is not that important, and the United States remains the world’s leading economy, most powerful military force, and a central figure in the region; most Asian states want to keep close relations with America.

AIIB Vice President: Only 1.2 to 2.5 billion dollars in projects planned so far and “unable to fill the gap”

Washington Post 2016 (journalist Simon Denyer is The Post’s bureau chief in China) 23 June 2016 “Asia’s new infrastructure bank is out to prove it’s not China’s pawn” Washington Post <https://www.washingtonpost.com/world/asia_pacific/asias-new-infrastructure-bank-is-out-to-prove-its-not-chinas-pawn/2016/06/23/fb3972d4-3912-11e6-b5b9-8d46463d0c86_story.html>

[One of the bank’s five vice presidents, Britain’s Daniel] Alexander said the bank aimed to approve projects worth a modest $1.2 billion in its first year, with that number rising to $2.5 billion in the second year and steadily growing after that. He expressed confidence that demand for infrastructure financing in Asia was high and that the new bank would be able to play a positive role. “The scale of the challenge for infrastructure in the Asian region is so huge it dwarfs the capacity of all the existing institutions put together,” Alexander said. “The AIIB alone is not going to fill that gap, but I think we add value because we are very focused.”

2. No threat to America

AIIB doesn’t create any Chinese threat to the US economy

CNBC 2015. (journalist Nyshka Chandran) 16 Apr 2015 “Why the US shouldn't worry about the AIIB” <http://www.cnbc.com/2015/04/16/why-the-us-shouldnt-worry-about-the-aiib.html> (brackets in original)

"I think this whole discussion of the AIIB has simply been overblown," said Fraser Howie, managing director at Newedge Singapore. "If China is trying to use this Trojan Horse to undermine the U.S. dollar and take its rightful place in the financial world, it's just not going to happen using [the AIIB]."

3. Doesn’t really matter if the US joins AIIB

US could join AIIB, but it’s just a lot of noise about something that won’t make much difference

Journalist Sophie Shevardnadze interviewing economist Michael Pettis in 2015. (Pettis - finance professor at Peking University in Beijing, China. Non-Resident Senior Associate in the Asia Program at Carnegie Endowment for Peace) 20 Apr 2015 “US panics over Asia’s new investment bank, embarrasses itself – financial strategist” <https://www.rt.com/shows/sophieco/251097-financial-system-china-us/>

**SS:**Do you think China will allow the U.S. to play a role in its AIIB, If U.S. decides to join the project?  
**MP:**I think China would almost certainly welcome the U.S. joining, and my guess is that at some point the U.S. will probably play some kind of role. What I want to stress, and this is what I wrote about quite extensively last week, is that there’s a long history of these institutions, and there are two facets of this history that reoccurs. First, in the early stages we vastly overestimate the importance of the institution, and then, later on, within 5, 6, 7 years, the institution stops playing an important role, and I would be very surprised if this time was any different. A lot of noise about something that at the end of the day is probably not going to make a huge amount of difference.

SOLVENCY

1. No economic benefit, because there’s no need for increased global capital

AIIB is useless because there is no shortage of capital on international markets today

Prof. Michael Pettis 2015 (finance professor at Peking University in Beijing, China. Non-Resident Senior Associate in the Asia Program at Carnegie Endowment for Peace) 11 Apr 2015 “Will the AIIB matter one day?” <http://carnegieendowment.org/2015/04/11/will-aiib-one-day-matter>

The world is not starved of capital. In fact it has too much capital. The idea that the AIIB will be important because its accumulation of lending power will give it something important that the world needs is widespread but completely wrong. In fact the world is satiated with excess savings, to the point where it has driven interest rates in some countries negative. In fact China and the other founding members of the AIIB who know that they desperately need places to put their money but who do not understand why they have this problem are probably hoping that the bank will be able to increase credible demand for savings by transforming real demand from non-credible borrowers into real demand from borrowers whose credit has been mysteriously enhanced somehow by the AIIB.

AIIB unlikely to accomplish much: If worthy investments were available, someone would have already done them by now

Washington Post 2016 (Simon Denyer is The Post’s bureau chief in China. He served previously as bureau chief in India and as a Reuters bureau chief in Washington, India and Pakistan.) 23 June 2016 “Asia’s new infrastructure bank is out to prove it’s not China’s pawn” Washington Post <https://www.washingtonpost.com/world/asia_pacific/asias-new-infrastructure-bank-is-out-to-prove-its-not-chinas-pawn/2016/06/23/fb3972d4-3912-11e6-b5b9-8d46463d0c86_story.html>

“If there were this massive opportunity laying in wait in Central Asia, surely someone would have tapped into it before — with years of institutional knowledge and memory of how to do such things,” said Andrew Polk, China economist at Medley Global Advisors in Beijing. “The idea that China is going to come along with this new investment bank and somehow crack that nut that no one has been able to crack, maybe that’s going to happen. You’d hope so, but I have my doubts.”

2. Chinese long-term abandonment

Long-term trends in the Chinese economy will lead it to abandon the purposes of the AIIB

Prof. Michael Pettis 2015 (finance professor at Peking University in Beijing, China. Non-Resident Senior Associate in the Asia Program at Carnegie Endowment for Peace) 11 Apr 2015 “Will the AIIB matter one day?” <http://carnegieendowment.org/2015/04/11/will-aiib-one-day-matter>

This is why even if China becomes only the second successful case of five in which our predictions about the “rising power” turn out to be correct, it is foolish to assume that the expectations that led to the creation of the AIIB will remain unchanged. China’s priorities will have shifted during its rebalancing to such an extent that today’s goals will not apply to the conditions that accompany its position of dominance. During the adjustment, domestic institutions and political conditions have always been so radically transformed that the country “before” the rebalancing period had a completely different set of objectives and goals from the country “after” the rebalancing period. It is important not to underestimate this point. Regardless of whether or not it becomes the world’s largest economy, the China that emerges from the adjustment of the next decade or two will be a very different China, with different institutions, different objectives, and different priorities. Among the easier predictions, it is a virtual certainty that the imbalances that force China today to recycle massive current account surpluses will have reversed themselves, so that the recycling process will no longer be a major objective.

3. Bad debtors

The only governments who will want to borrow from AIIB are the ones who can’t pay it back

Prof. Michael Pettis 2015 (finance professor at Peking University in Beijing, China. Non-Resident Senior Associate in the Asia Program at Carnegie Endowment for Peace) 11 Apr 2015 “Will the AIIB matter one day?” <http://carnegieendowment.org/2015/04/11/will-aiib-one-day-matter>

The only countries not reluctant to import the savings of other countries are those who capital exporters shun. These are developing countries who have obvious investment needs but in whom investors are very reluctant to invest because of low credibility. The AIIB has not addressed how it will differ in the way in which it supplies the estimated $8 trillion in infrastructure that Asia needs to ensure that it will be more successful than the many national and multilateral development banks that have made the same and similar promises.

No evidence AIIB will have any better success lending money to poor countries than other institutions that have failed in the past. When times get tough, they can’t pay it back.

Prof. Michael Pettis 2015 (finance professor at Peking University in Beijing, China. Non-Resident Senior Associate in the Asia Program at Carnegie Endowment for Peace) 11 Apr 2015 “Will the AIIB matter one day?” <http://carnegieendowment.org/2015/04/11/will-aiib-one-day-matter>

And while people like Mahbubani might claim that China’s “spectacular success with developing world-class infrastructure in record time” gives us reason to expect success for the AIIB, the evidence suggests no such thing. While Beijing certainly has in recent years lent aggressively to developing countries, and many analysts at first hailed what they called a novel approach and hard-headed business intelligence, every time a new country, or group of countries, first begins to invest abroad aggressively, we hear exactly the same sorts of things. But every time, as soon as global economic conditions turn, we discover that this most recent wave of investment has been successful largely because of its willingness to misprice risk. Inevitably it is followed by defaults and a very dramatic change in approach. It is too early to tell if China will prove to be the sole deviation from historical precedence, but a[very depressing article](http://www.ft.com/intl/cms/s/0/2bb4028a-cbf0-11e4-aeb5-00144feab7de.html?siteedition=intl#axzz3Un1rLVaf) three weeks ago in the Financial Times suggests that when it comes to lending to developing countries, China’s experiences are turning out to be remarkably consistent with those of its predecessors. It is not easy to lend large amounts to developing countries and get repaid.

AIIB will have trouble getting its loans paid back

CNBC 2015. (journalist Nyshka Chandran) 16 Apr 2015 “Why the US shouldn't worry about the AIIB” <http://www.cnbc.com/2015/04/16/why-the-us-shouldnt-worry-about-the-aiib.html> (brackets added)

The AIIB will be prone to the same challenges as the much-hyped initiatives that preceded it, according to Newedge's [Fraser] Howie [managing director at Newedge Singapore]. "In the past decade, China has invested in Africa, Latin America and its struggling just as developed countries did before them to get paid back."

4. AIIB dysfunctional / not effective

AIIB has only symbolic value: no sound plan for successful investment

Prof. Michael Pettis 2015 (finance professor at Peking University in Beijing, China. Non-Resident Senior Associate in the Asia Program at Carnegie Endowment for Peace) 11 Apr 2015 “Will the AIIB matter one day?” <http://carnegieendowment.org/2015/04/11/will-aiib-one-day-matter>

The AIIB has not explained exactly how it plans to channel money into developing countries while avoiding the two big problems its predecessors have always faced: how to ensure that the money is not wasted, and how to channel large amounts of debt financing without creating financial distress and non-repayment risk. For now, for all the excited chatter, the AIIB is an institution laden with symbolic value, and little else.

Regional banks not effective: Countries that really need money will look to the US or big institutions like IMF

Prof. Washington Post 2015 (Associate Professor of Geopolitics and Justice in World Affairs at Prof. Erik Voeten Georgetown University's Edmund A. Walsh School of Foreign Service and the Department of Government.) 19 March 2015 “Why the U.S. effort to curb the Asian Infrastructure Investment Bank is doomed to fail (and why it doesn’t matter all that much)” Washington Post <https://www.washingtonpost.com/blogs/monkey-cage/wp/2015/03/19/why-the-u-s-effort-to-curb-the-asian-infrastructure-investment-bank-is-doomed-to-fail-and-why-it-doesnt-matter-all-that-much/> [extra”the” in original text]

Given financial interdependence global surveillance and universal coverage are far superior to a patchwork of regional arrangements. You also often need very large sums of money quickly in times of crisis. Other than money, a lender of last resort needs to be credible and needs to provide political cover for painful measures, tasks much easier accomplished by a universal organization than a regional one. This is why most regional alternatives to the IMF, [such as the proposed Asian Monetary Fund](https://scholar.google.com/citations?view_op=view_citation&hl=en&user=yDS6dRUAAAAJ&citation_for_view=yDS6dRUAAAAJ:roLk4NBRz8UC), have failed. Or, why in times of financial crises [countries, such as South Korea and Indonesia, turned to the United States and the global institutions for help](http://asiancenturyinstitute.com/economy/248-chiang-mai-initiative-an-asian-imf) rather than the the [Chiang Mai swap agreement](http://en.wikipedia.org/wiki/Chiang_Mai_Initiative).

5. Little or No US influence

Non-Asian countries are limited in their influence. China will get all the prestige without sharing control

Shannon Tiezzi 2015 (editor at The Diplomat; former research associate at the U.S.-China Policy Foundation; A.M. from Harvard Univ, B.A. from College of William and Mary; studied at Tsinghua Univ in Beijing ) THE DIPLOMAT “China’s AIIB: The Final Tally “ 17 Apr 2015 <http://thediplomat.com/2015/04/chinas-aiib-the-final-tally/>

However, the glut of Western European countries involved in AIIB doesn’t mean Europe will be able to play a major role in the bank’s governance. The AIIB’s chief, Jin Liqun, [previously said](http://www.reuters.com/article/2015/03/22/us-china-finance-ministry-adb-idUSKBN0MI03I20150322) that non-Asian countries will be limited to holding a total of 25 percent of AIIB shares. That means China can claim all of the prestige of having Western Europe join its new pet project without actually have to share control.

Western nations relegated to miniscule voting share

Agencia EFE 2015 (Spanish international news reporting agency specializing in business, science, and technology reporting) 29 June 2015 “AIIB signs statute with China with 29.78 pct. of shares” Agencia EFE <http://www.efe.com/efe/english/destacada/aiib-signs-statute-with-china-29-78-pct-of-shares/50000261-2651558>

The initial capital of the AIIB will be $100 billion. China is the main shareholder with $29.78 billion in investment, ahead of India, which will invest $8.36 billion and with 8.37 percent of the shares. Russia, with $6.53 billion, has a share of 6.53 percent. As the majority shareholder, China will have the power to veto decisions requiring three-fourths of the votes or 'super majority'. Germany, the first non-Asian country, will be the fourth largest shareholder with 4.48 percent and an investment of $4.84 billion. Among other non-regional members, France comes second with $3.37 billion and 3.38 percent of shares and Brazil comes third, with $3.18 billion and 3.18 percent of the shares. Spain is set to invest $1.76 billion and with 1.76 percent of the shares will rank as the sixth largest non-Asian stockholder. 37 Asian countries have contributed around 75 percent of the capital and have three quarters of the shares while the remaining 25 percent will be invested by the 20 non-Asian countries with a quarter of the shares.

China’s voting share relegates US voting power to nothing

Scott Morris 2015. (senior fellow at the Center for Global Development and director of the [Rethinking US Development Policy](http://www.cgdev.org/initiative/rethinking-us-development-policy) initiative; served as deputy assistant secretary for development finance and debt at the US Treasury Department; led US engagement with the World Bank, Inter-American Development Bank, African Development Bank and Asian Development Bank.) 2 July 2015 “Doing the Math on AIIB Governance” Center for Global Development <http://www.cgdev.org/blog/doing-math-aiib-governance>

For the AIIB, voting power includes two redistributive elements, “basic” votes and “founder” votes. The latter serve to reward the founding members of the institution, but both types of votes tend to give a boost to the voting power of the smallest shareholders and dilute the power of the largest shareholders. Nonetheless, overall voting power is strongly aligned the principle of weighted shareholding, and China’s large share of AIIB capital translates directly into a large voting stake, followed at a distance by India, Russia, and Germany. Critically, China’s voting power of 26.06 percent is slightly larger than the 25 percent needed to block any decisions requiring a super majority vote (a super majority is defined by the articles to be three-fourths of the voting power and two-thirds of the members). China’s veto power over super majority decisions is a key governance characteristic of the new institution and a measure of the largest shareholder’s power.

Regional members hold 75% of the voting power

Reuters news service 2015 (international news organization based in London) 29 July 2015 “China to hold just over 30% of AIIB” Reuters <http://www.cnbc.com/2015/06/29/china-to-hold-just-over-30-of-aiib.html>

China will hold a 30.34 percent stake in the Asian Infrastructure Investment Bank (AIIB), the Finance Ministry said on Monday, making Beijing the largest shareholder in a multilateral institution that will project the country's growing soft power. China will have 26.06 percent of the voting rights in the bank, a Chinese-led development bank that will rival institutions such as the World Bank and the Asian Development Bank. Countries defined as "within the region" will hold a 75 percent stake in the bank, the ministry said in a statement on its website, as delegates from 57 countries gathered in Beijing to witness the signing of the articles of agreement for the bank.

6. Multilateral development banks fail generally

AIIB is just like other multilateral development banks that have historically failed

Kenneth Rogoff 2015 (former chief economist of the International Monetary Fund, is professor of economics and public policy at Harvard University) 7 April 2015 “Will China’s infrastructure bank work?” The Guardian <https://www.theguardian.com/business/2015/apr/07/will-chinas-infrastructure-bank-work>

With China set to lead a new $50bn international financial institution, the [Asian Infrastructure Investment Bank](https://www.theguardian.com/business/asian-infrastructure-investment-bank) (AIIB), most of the debate has centred on the US’s futile efforts to discourage other advanced economies from joining. Far too little attention has been devoted to understanding why multilateral development lending has so often failed, and what might be done to make it work better. Multilateral development institutions have probably had their most consistent success when they serve as “knowledge” banks, helping to share experience, best practices, and technical knowledge across regions. By contrast, their greatest failures have come from funding grandiose projects that benefit the current elite, but do not properly balance environmental, social, and development priorities. Dam construction is a leading historical example. In general, there is a tendency to overestimate the economic benefits of big infrastructure projects in countries riddled by poor governance and corruption, and to underestimate the long-run social costs of having to repay loans whether or not promised revenues materialise. Obviously, the AIIB runs this risk.

7. Bad Chinese track record. AFF is advocating doing more of what’s already failed

China wastes 62% of investment capital at a cost of $10.8 trillion

Prof. Minxin Pei 2014 (Professor of Government at Claremont McKenna College and a non-resident senior fellow of the German Marshall Fund of the US) 1 December 2014 “Why China keeps throwing trillions in investments down the drain” Fortune Magazine <http://fortune.com/2014/12/01/china-investment-losses-infrastructure/>

A recent study performed by two economists affiliated with the Chinese National Development and Reform Commission (NDRC), Beijing’s powerful economic planning and regulatory agency, offered a revealing glimpse into this puzzle. The economists examined two indicators: the delivery rate of completed fixed-asset investment projects and the incremental capital output ratio (ICOR), which measures how much additional capital is required to generate an extra unit of GDP growth. The researchers concluded that both measures show an alarming increase in wasteful and ineffective investments in China. The delivery rate of completed capital projects, which was 74-79% in the late 1990s, has now fallen below 60%. This implies that nearly 40% of Chinese investment projects are either not finished on time or not completed at all. The even more alarming figure, which made headlines around the world, is that ineffective investment has cost China $10.8 trillion since 1997. Sixty-two percent of the wasteful investment—$6.8 trillion—was made after 2009, when China went on an investment binge to stimulate its economy.

China university study finds: Chinese government-funded investments backfire and undercut productivity

Minxin Pei 2014 (Tom and Margot Pritzker ’72 Professor of Government at Claremont McKenna College and a non-resident senior fellow of the German Marshall Fund of the United States) 1 December 2014 “Why China keeps throwing trillions in investments down the drain” Fortune Magazine <http://fortune.com/2014/12/01/china-investment-losses-infrastructure/>

Research conducted by a scholar at China’s Tsinghua University’s School of Management shows that government-funded infrastructure projects, contrary to conventional wisdom, undercut China’s productivity. Even when the Chinese government invests in factories, its decisions can result in poor outcomes. This is the case with the manufacturing sector. Every self-respecting local government in China, it seems, wants to own steel mills, cement factories, and auto plants. As a result, these sectors are plagued by overcapacity across the country, which destroys investment returns. To be sure, there is plenty of bad news here. For example, failed investments saddle Chinese banks, which finance most of the investments made by the Chinese government and SOEs, with mountains of non-performing loans.

Chinese infrastructure promises in Africa remain unfulfilled

The Economist 2015 (widely circulated global magazine with average weekly circulation at 1.5 million) 21 November 2015 “Not as easy as it looks” The Economist <http://www.economist.com/news/middle-east-and-africa/21678777-western-worries-about-chinas-burgeoning-influence-africa-may-be-overblown-not>

On the western edge of Lake Victoria in Uganda, a hundred miles south of Kampala and an hour or so’s drive up a progressively narrower dirt track, is the site of what was meant to be one of the biggest Chinese commercial investments in Africa. A rust-flecked sign marks the entrance to “Sseesamirembe City”, part of the “Lake Victoria Free Trade Zone”. It does not mark much. Teenage boys wheel bicycles laden with water containers past mud huts and scrubby matoke (banana) fields. A few smarter houses and half-built breezeblock structures are the only evidence that there has been any development at all. In 2008 the Lake Victoria Free Trade Zone was announced to the world as a transformative investment. Footage from CCTV, the Chinese state broadcaster, shows a meeting between Ugandan officials and Chinese ones in Beijing to confirm the deal. The investment, a partnership between a large Chinese firm and Ugandan investors, was to cover 500 square kilometres (200 square miles) of land. They proposed building a “solar-powered” airport, manufacturing facilities and a distribution hub, as well as homes and agribusiness, all adding up to a new “eco-city”. Some $1.5 billion would be invested in one of the least developed parts of Uganda. It was suggested that thousands of Chinese farmers might settle the land and grow crops for export to China. Of all these bold promises, none came to fruition.

Sri Lanka kicked out the Chinese because of failed development projects and corruption

Robert Keatley 2015 (former editor of the Asian Wall Street Journal and the South China Morning Post of Hong Kong) 18 April 2015 “China's AIIB Challenge: How Should America Respond?” The National Interest <http://nationalinterest.org/feature/americas-big-strategic-blunder-not-joining-chinas-aiib-12666> (ellipses in original)

These concerns show that the initial American reaction, however unwise, was not irrational. The Chinese record as a lender to developing nations is spotty at best. Too often it has provided loans to kleptocratic regimes that finance Chinese companies using imported Chinese workers on projects that mainly ship energy and raw materials back to Chinese industry; sometimes bribes grease the way, while the local environment and economy can suffer. Some experts say the Chinese record in Africa, for example, is no better than that of 19th century European colonialists. Other Chinese loans, such as $86 billion to Venezuela, were made primarily for political reasons and may never be repaid. A few countries, most recently Sri Lanka and Myanmar, have canceled Chinese-funded projects on grounds that corruption paved their way and they serve no basic local purpose. During his successful campaign, Sri Lanka’s new president, Maithripala Sirisena, described local Chinese projects as “robbery taking place before everybody and in broad daylight….if this trend continues for another six years our country would become a colony and we would become slaves.” Since taking office, he has suspended work on a $1.5 billion Beijing-funded port project.

China’s track record of issuing risky and faulty loans

The Financial Times 2015 (James Kynge and Gabriel Wildau) 17 March 2015 “China: With friends like these” The Financial Times <http://www.ft.com/intl/cms/s/2/2bb4028a-cbf0-11e4-aeb5-00144feab7de.html#axzz4EShHIWxi>

Ukraine is heavily in arrears in its Chinese lending, while Zimbabwe has failed to repay a much smaller amount. Other recipients of Chinese policy-driven finance — such as Venezuela, Ecuador and Argentina — are suffering varying degrees of economic distress, casting doubt on their ability to repay. “China is taking on too much risk in its lending to regimes that are unstable in Africa, Latin America and even in some Asian countries,” says Yu Yongding, a professor at the Chinese Academy of Social Sciences think-tank. “Many Chinese institutions thought that as long as they made deals with the governments, the deals are done. But political reality is much more complicated.”

China’s ghost cities, where investment hysteria trumps human needs (Kangbashi, Inner Mongolia)

Wired Magazine 2016 (Laura Mallonee, Masters in Cultural Reporting and Criticism from New York University) 6 February 2016 “The Unreal, Eerie Emptiness of China’s ‘Ghost Cities” Wired Magazine <http://www.wired.com/2016/02/kai-caemmerer-unborn-cities/>

The Kangbashi district of Ordos, China is a marvel of urban planning, 137-square miles of shining towers, futuristic architecture and pristine parks carved out of the grassland of Inner Mongolia. It is a thoroughly modern city, but for one thing: No one lives there. Well, almost nobody. Kangbashi is one of hundreds of sparkling new cities sitting relatively empty throughout China, built by a government eager to urbanize the country but shunned by people unable to afford it or hesitant to leave the rural communities they know. Chicago photographer Kai Caemmerer visited Kangbashi and two other cities for his ongoing series Unborn Cities. The photos capture the eerie sensation of standing on a silent street surrounded by empty skyscrapers and public spaces devoid of life. “These cities felt slightly surreal and almost uncanny,” Caemmerer says, “which I think is a product of both the newness of these places and the relative lack of people within them.” China has built hundreds of new cities over the last three decades as it reshapes itself into an urbanized nation with a plan to move 250 million rural inhabitants—more than six times the population of California—into cities by 2026. The newly minted cities help showcase the political accomplishments of local government officials, who reason that real estate and urban development is a safe, high-return investment that can help fuel economic growth. But it’s hard to start a city from scratch. Most people don’t want to live somewhere that feels dead, and these new cities sometimes lack the jobs and commerce needed to support those who would live there. “Cities and districts built without demand or necessity resulted in what some Chinese scholars have termed, literally,’walls without markets’,” says William Hurst, political science professor at Northwestern University. “Or what we might translate as uncompleted or hollow cities. Political exigency and investment hysteria trumped economic calculus or consideration of genuine human needs.”

Systemic infrastructure failure reveals systemic corruption of the Chinese government

National Public Radio 2012 (Frank Langfitt, Nieman Fellow at Harvard University in Chinese Economics, NPR correspondent to Beijing since 2011) 29 August 2012 “Chinese Blame Failing Bridges On Corruption” National Public Radio <http://www.npr.org/2012/08/29/160231137/chinese-blame-failed-infrastructure-on-corruption>

Since 2011, eight bridges have collapsed around the country, according to China's state-run media. The cases include one in April 2011, when a cable snapped on a suspension bridge in Western China's Xinjiang region, sending a chunk of roadway plunging onto a riverbank. Two months later, a bridge in southern China's Fujian province collapsed, leaving one dead and 22 injured. And in March this year, a bridge under construction in Central China's Hubei province snapped in half. The collapse in Harbin sparked more than 2 million posts on Sina Weibo, China's most popular Twitter-like site. The reaction of Zeo Niu, a college junior studying in Harbin, was typical. "Corruption. It is the first thing that pops into our mind," said Niu, 20. "We don't have to think about it, because it's so common."' Niu's uncle runs a construction company in central China. She says using substandard material while charging for high-quality goods is routine. "This analogy is made by my uncle," she said. "If the central government wants a steel bar, it should be 10 centimeters. When it comes to the province, it will be 8 centimeters, and when it comes to the city, it will be 5. This is very, very common. This is not news."

DISADVANTAGES

1. Failed promise of infrastructure investment

Link: AIIB’s mission will be government infrastructure investment

Cecilia Tortajada and Asit K. Biswas 2014 (**Cecilia Tortajada is a Senior Research Fellow in the Lee Kuan Yew School of Public Policy, Singapore. Asit K. Biswas is Distinguished Visiting Professor at the same School.**) STRAITS TIMES 2 Sept 2014 Asian investment bank: Realigning the status quo <http://www.straitstimes.com/opinion/asian-investment-bank-realigning-the-status-quo>

Fourth, China has funded numerous infrastructure projects around the world through the China Development Bank and the Export-Import (Exim) Bank of China. Some of these projects have fuelled local resentment. There might be less resentment if the funds were to come from a regional bank such as the proposed AIIB.

Impact: Economic reversal. Infrastructure projects are white elephants that divert resources away from productive uses

Prof. Andrei Shleifer 2009 (prof. of economics, Harvard Univ. Shleifer is citing the work of Peter Bauer, an economist, and in the context Shleifer agrees with Bauer’s analysis) CATO JOURNAL Vol 29, Fall 2009 “Peter Bauer and the Failure of Foreign Aid” <https://www.ciaonet.org/attachments/15331/uploads>

The intellectual support for many of the policy recommendations for how to allocate aid in order to stimulate economic growth was based on the big push model (Rosenstein-Rodan 1943). According to that model, what keeps countries behind is insufficient investment across sectors of the economy and in infrastructure. To the extent that foreign aid supplies investment capital, it jump starts economic growth, and initiates a virtuous cycle whereby investment generates income and thus raises the economic return to further investment. Bauer relentlessly criticized the big push model. He argued that foreign aid providers do not know which investments are appropriate for a developing economy, so aid money is poured into bad projects (also known as white elephants), which not only fail to encourage economic growth, but divert scarce human and other resources away from productive uses.

Impact: Lost jobs and exploitation. That’s what happened with Chinese infrastructure investment in Africa

Prof. Mark Esposito and Prof. Terence Tse 2015 (Esposito - professor of business & economics at Harvard Univ. Tse is an associate professor of finance and head of competitiveness studies at i7 Institute for Innovation and Competitiveness at ESCP Europe) 20 November 2015” China's Growing Footprint in Africa is Potentially Damaging” Fortune Magazine <http://fortune.com/2015/11/20/china-africa-damaging-ties/>

Indeed, the amount of investments made by China abroad is estimated to be $531 billion in outward foreign direct investment, with 4% of it—$22 billion—going to investments in natural resource extraction, finance, infrastructure, power generation, textiles, and home appliances in Africa. That’s a small sum at first glance, but its economic impact to the region is both huge and far-reaching, especially in Sub-Saharan Africa, with the biggest investments made in Nigeria, Sudan, South Africa, and Angola. In addition to investment projects, China has quickly become the continent’s biggest trading partner, with trade volume of $166 billion in 2014. This is likely to continue to increase and reach an estimated $1.7 trillion by 2030. Losing hearts, minds, and jobs? But despite the substantial investments, most of the them have been routinely cast as detrimental to Africa’s overall competitiveness. The projects are dependent on deals made at the highest political levels. They lack competitive and transparent bidding processes, and most of the work force employed at these ventures has been Chinese. Promises of job creation have not been fulfilled. Further, when Africans are hired, local rules and regulations are often flouted, leading at times to poor safety. For instance, at Chinese-run mines in Zambia’s copper belt, employees must work for two years before they get safety helmets. Ventilation below ground is poor, and deadly accidents occur almost on a daily basis. More frequently, jobs are lost to Chinese employees, who are ferried in project by project. For example, the growing Chinese presence in South Africa may have cost the country 75,000 jobs from 2000 to 2011. In Nigeria, the influx of low-priced Chinese textile goods has caused 80% of Nigerian companies in this industry to close. Africans’ impression of Chinese firms could also be shaped by illegal practices carried out by them. For example, by law, mining on small plots of 25 acres or less is restricted to Ghanaian nationals. However, many Chinese continue to explore for gold in conjunction with local landowners, even though regulations have made it clear that such practice is illegal. The result: Many Africans see themselves to be exploited by the newcomers.

2. Soviet-style oppression

Chinese infrastructure investment violates workers’ rights. Better to reform existing banks instead of using a new one

*Prof. Kenneth Rogoff 2015. (former chief economist of the IMF, professor of economics and public policy at Harvard Univ)* Here’s how China’s infrastructure bank could fail miserably . <http://www.marketwatch.com/story/heres-how-chinas-infrastructure-bank-could-fail-miserably-2015-04-06>

Unfortunately, it is far from clear that the Chinese model of infrastructure development can be exported universally. China’s strong central government overwhelms opposition from people displaced by new roads, bridges, and dams, and for many years ran roughshod over environmental concerns and workers’ rights. The parallels to the old Soviet Union are striking. Some developing countries in Asia work differently. In democratic India, for example, it took eight years to rebuild Mumbai’s airport, because courts forced the government to respect the rights of squatters on its outskirts. Given the legacy of problematic loans and projects funded by Western-led infrastructure banks, it is reasonable to ask whether another one is needed, as opposed to reforming existing institutions.

AIIB will lead a race to the bottom, undercutting the rights of vulnerable populations

New York Times 2014 (journalist Jane Perlez, diplomatic correspondent in the Beijing bureau of The New York Times, winner of Pulitzer Prize) 9 Oct 2014 “U.S. Opposing China’s Answer to World Bank” <http://www.nytimes.com/2014/10/10/world/asia/chinas-plan-for-regional-development-bank-runs-into-us-opposition.html?_r=1>

A senior Obama administration official said the Treasury Department had concluded that the new bank would fail to meet environmental standards, procurement requirements and other safeguards adopted by the World Bank and the Asian Development Bank, including protections intended to prevent the forced removal of vulnerable populations from their lands. “How would the new institution add value? How would the Asian Infrastructure Investment Bank be structured so that it doesn’t undercut the standards with a race to the bottom?” asked the senior official, who spoke on condition of anonymity because the administration has asked its members to refrain from publicly criticizing the Chinese proposal.

3. Lost motivator for good behavior by China

Link: By the US not-joining the AIIB, the actions of AIIB will be judged solely as belonging to China. If China acts benevolently, they will get the credit. If they act poorly, they will get the blame and lose prestige

*Thane Bourne 2016 (is currently teaching English in China while on leave from the Master of International Relations program at the University of Melbourne) 12 Jan 2016* CHINA’S INTENTIONS FOR THE ASIAN INFRASTRUCTURE INVESTMENT BANK <http://www.internationalaffairs.org.au/australian_outlook/chinas-intentions-for-the-asian-infrastructure-investment-bank/>

Secondly, by building a new multilateral forum in partnership with many of the OECD countries, China has at one stroke side-stepped continued wrangling over the lack of reform in the IMF and World Bank and, with the decision of the US not to join, has provided itself with an international platform to make its voice heard clearly. However, the lack of US involvement in the AIIB is a double-edged sword for China. Although assuming a leadership role within the AIIB will bring a considerable boost to China’s international prestige, the AIIB’s effectiveness in delivering its goals of economic development, improved infrastructure connectivity and deeper intra-regional cooperation for Asia, will impact either positively or negatively on China’s credibility as a leader of the global economy. An AIIB perceived as a responsible, proactive and generous sponsor of regional economic development would improve China’s standing and serve to refute the suspicious and derogatory narratives of China’s rise circulating in the West. Should an AIIB without the US come to be seen as unbalanced and subject to the whims of Beijing, China will face a much more difficult task in persuading the international community that it is a willing and responsible leader in multilateral situations.

Impact 1 / Alternative 1: China acts benevolently. That would be good, but only the US “not” joining gives China the incentive to behave well. We lose that incentive if you vote Affirmative.

Impact 2 / Alternative 2: China acts badly and loses prestige, because they will have to take all the blame, if the US didn’t join. That would be good, if China loses prestige, because increased China prestige is bad.

Less democracy, more authoritarianism. China’s rulers want prestige to build their power and resist democracy

Robert Kagan 2008 (senior fellow at the Brookings Institution and a former presidential foreign policy advisor)23 Mar 2008 WASHINGTON POST <http://www.washingtonpost.com/wp-dyn/content/article/2008/03/21/AR2008032102552.html>

These days, China watchers talk about it becoming a "responsible stakeholder" in the international system. But perhaps we should not expect too much. The interests of the world's autocracies are not the same as those of the democracies. We want to make the world safe for democracy. They want to make the world safe, if not for all autocracies at least for their own. People talk about how pragmatic Chinese rulers are, but like all autocrats what they are most pragmatic about is keeping themselves in power. We may want to keep that in mind as we try to bring them into our liberal international order.

**END QUOTE. The bottom line is that whether China behaves well or badly, we’re better off not joining AIIB and letting the results come only from China. It’s an incentive for them to behave well and a punishment if they behave badly, so the US and the world win either way, as long as the US doesn’t join.**

4. Chinese mismanagement

Link: China inherits a near-veto over AIIB decisions

Yuriko Koike 2015 (Japan's former defense minister and national security adviser, was Chairwoman of Japan's Liberal Democratic Party's General Council and currently is a member of the National Diet.) 27 May 2015 “The AIIB and Chinese Strategy” The Project Syndicate <https://www.project-syndicate.org/commentary/aiib-chinese-strategy-by-yuriko-koike-2015-05?barrier=true>

Next month, the Asian Infrastructure Investment Bank (AIIB) will hold its first general meeting, the aim being to launch operations before the end of the year. And now China has doubled down on its effort to secure a controlling role in the new bank by increasing its initial investment from a planned $50 billion to $100 billion. The additional Chinese investment certainly will strengthen the AIIB’s credit rating. But it may also have been necessary for China to maintain control of the bank, because the number of countries agreeing to participate in the AIIB’s launch has turned out to be far higher than China’s leaders expected. Indeed, even doubling its initial investment will not give China a majority stake in the world’s newest multilateral lender. Still, it appears that China’s share, at around 30%, will be the largest of the 57 participating countries, which could effectively give it a near-veto over AIIB decisions.

Link: Developmental economists worry that AIIB is simply China’s pawn

Yuriko Koike 2015 (Japan's former defense minister and national security adviser, was Chairwoman of Japan's Liberal Democratic Party's General Council and currently is a member of the National Diet.) 27 May 2015 “The AIIB and Chinese Strategy” The Project Syndicate <https://www.project-syndicate.org/commentary/aiib-chinese-strategy-by-yuriko-koike-2015-05?barrier=true>

Still, it appears that China’s share, at around 30%, will be the largest of the 57 participating countries, which could effectively give it a near-veto over AIIB decisions. That underscores the main concern among development economists and observers of international relations as the AIIB’s birth approaches. Will it turn out to be a bank of China, by China, and for China, or will it pursue a multilateral agenda in the manner of the World Bank and regional development banks like the Asian Development Bank (ADB) and Africa Development Bank (AfDB)? China’s explanation for its push to establish the AIIB is that developing countries have inadequate access to capital for infrastructure. Perhaps more important, they have an insufficient voice in the World Bank, the International Monetary Fund, and the ADB. But securing a voice is probably not all China wants.

Link: Beijing plans to make major decisions in AIIB, not the board of directors

New York Times 2014 (Jane Perlez is the chief diplomatic correspondent in the Beijing bureau of The New York Times. Ms. Perlez won the Pulitzer Prize for international reporting in 2009 as part of a team of Times correspondents.) 9 October 2014 “U.S. Opposing China’s Answer to World Bank” New York Times <http://www.nytimes.com/2014/10/10/world/asia/chinas-plan-for-regional-development-bank-runs-into-us-opposition.html?_r=1>

A senior South Korean official, speaking on condition of anonymity because he was not authorized to discuss the bank, said the government remained hesitant, partly because Beijing has insisted that the bank’s Chinese president make the big decisions, not its board of directors.

Link: China engages in risky investments to export her own overcapacity

The Financial Times 2015 (James Kynge and Gabriel Wildau) 17 March 2015 “China: With friends like these” The Financial Times <http://www.ft.com/intl/cms/s/2/2bb4028a-cbf0-11e4-aeb500144feab7de.html#axzz4EShHIWxi>

Similarly, China’s “New Silk Road” initiatives — which envisage billions of dollars in investment to build transport infrastructure across Eurasia, the South China Sea and the Indian Ocean — is animated at least partly by helping state-owned producers of cement, steel, ships and heavy equipment export their overcapacity, says Tom Miller of Gavekal Dragonomics, a research unit in Beijing. The nature of such infrastructure megaprojects — to be built over a long period and spanning national territories — compels China to spread the risk. “Due to China’s overcapacity, it needs to lend to facilitate its exports by, for example, providing credit to some countries so that China can help them to build high-speed railways,” says Prof Yu. “To minimise loss and risk, China needs co-operation with other countries in risky investments.”

Link: Chinese business mentality “I can get away with this so why bother?”

The New York Times 2016 (Chris Buckley, PhD in Chinese Studies and Sociology from the Australian National University) 16 January 2016 “Before Debris Collapse in China, Safety Fears Were Discussed” The New York Times <http://www.nytimes.com/2016/01/17/world/asia/shenzhen-landslide-china.html?_r=0>

“It’s quite often that the goal is to get approval, rather than be truly in compliance with the spirit, whether it’s the environmental impact assessment or safety,” said Dali L. Yang, a professor at the University of Chicago who has studied China’s efforts to strengthen safety regulation. “They think, ‘I can get away with this, so why bother?’”

Link: Chinese infrastructure employs shoddy materials

Bloomberg News 2012 (Christina Larson, graduate of Stanford University and Oxford University, China correspondent for Bloomberg and Science Magazine) 27 September 2012 “The Cracks in China's Shiny Buildings” Bloomberg News <http://www.bloomberg.com/news/articles/2012-09-27/the-cracks-in-chinas-shiny-buildings>

Officials admit there are challenges. At a forum on green building in 2010, Deputy Minister of Construction Qiu Baoxing said, “Every year, new buildings in China total up to 2 billion square meters and use up to 40 percent of the world’s cement and steel, but our buildings can only stand 25 to 30 years on average.” U.S. commercial buildings are expected to stand for 70 to 75 years, according to the U.S. Department of Energy. For residential and commercial developments, architectural design and construction phases are typically allotted half the time as in the U.S., says Beijing-based landscape architect Paul Maksy. “With such a rapid pace of construction, there’s often relatively little monitoring of standards,” says Stephen Hammer, a lecturer in energy planning at the Massachusetts Institute of Technology who has worked in China. Poor materials can cause problems: The collapse of school buildings in the wake of the 2008 Wenchuan earthquake was due in part to the use of low-quality cement, resulting in so-called tofu buildings. “When cement is mixed inadequately or when other materials are mixed in, it’s not very strong, so any major storm or stress on a building could make it fall down,” says Francis Cheung, author of brokerage firm CLSA’s 2012 report, China’s Infrastructure Bubble.

Impact: Mismanagement and corruption in China’s developmental schemes kills thousands annually

Dr. Chris Buckley (PhD in Chinese Studies and Sociology from the Australian National University) 16 January 2016 “Before Debris Collapse in China, Safety Fears Were Discussed” New York Times <http://www.nytimes.com/2016/01/17/world/asia/shenzhen-landslide-china.html?_r=0>

Four days before a mountain of dirt and debris collapsed here, killing at least 69 people, the government agency in charge of the construction dump convened a meeting to discuss safety concerns. In attendance were representatives of the company with the contract to manage the site and the independent engineering firm paid to monitor its work. The engineering firm had warned for months that the dump was beset with risks — from damaged drainage ditches to poorly packed waste — that could destabilize the towering pile of debris. Officials finally seemed to listen at the meeting, promising to stop trucks from piling any more waste at the site, according to Bian Yuxiang, a senior construction engineer with the engineering firm, Shenzhen J-Star Project Management Consultants. Yet trucks kept arriving at the dump, and Mr. Bian later learned that some of the participants at the meeting were not who they seemed. He said local officials had introduced them as representatives of a firm that had monitored the dump before Mr. Bian’s firm took over in September, but that firm later said it had nothing to do with the project and knew nothing of the meeting. The Hong’ao Construction Waste Dump gave way on Dec. 20, unleashing a cascade of mud that swallowed homes and factories and that rescue workers were still sifting through. “My first reaction was a feeling of heartsickness, because we were in charge of monitoring this project,” Mr. Bian said in a recent interview. “Then I felt shock and grief.” Much about the Hong’ao dump was not as it appeared on paper, a reconstruction of the disaster shows. The duplicity, involving doctored documents and false identities, illustrates systemic gaps in China’s efforts to prevent industrial and transportation accidents, which claim tens of thousands of lives annually and have galvanized public anger over official corruption and laxity. By many measures, China’s industrial safety record has improved in recent years. But the ruling Communist Party still struggles to impose accountability on local bureaucrats, who face little public scrutiny but come under intense pressure from leaders to meet goals like dealing with building waste. And like the deadly explosions last year at a toxic chemical storage site in Tianjin, a northern port city, the disaster in Shenzhen suggests that dark pools of mismanagement and corruption persist even in the most developed parts of the country.

Impact: Corruption and faulty infrastructure kills 700 schoolchildren

National Public Radio 2012 (Frank Langfitt, Nieman Fellow at Harvard University in Chinese Economics, NPR correspondent to Beijing since 2011) 29 August 2012 “Chinese Blame Failing Bridges On Corruption” National Public Radio <http://www.npr.org/2012/08/29/160231137/chinese-blame-failed-infrastructure-on-corruption>

In fact, corruption and failing infrastructure have been a problem in China since the 1990s, when market reforms set the country's economy on a rocketlike trajectory. The government went on a sustained building boom that provided unprecedented opportunities for graft. Zhu Lijia, a professor at the Chinese Academy of Governance in Beijing, said bid rigging is the norm and there are no checks or balances on the procurement process. "The situation is going in a bad direction," said Zhu in a phone interview from Beijing. "We do have relevant laws regarding the bidding process, but there is a lack of enforcement. The bidding process is only a show." The most infamous case occurred in 2008, when a massive earthquake struck Sichuan province. In one poorly built school alone, 700 children were crushed to death. "These were charity projects, and officials dared to skimp on the job and use low-quality materials," said Zhu. "This was much worse than Harbin. Up until now, we haven't seen any officials punished."

Impact: Rapid industrialization undermines environmental protection and kills 100 civilians (Tianjin Explosion)

The New York Times 2015 (PATRICK BOEHLER, JOSH KELLER, K.K. REBECCA LAI, VANESSA PIAO and CRYSTAL TSE) 21 August 2015 “Tianjin Blasts Expose the Dangerous Proximity of Toxic Chemicals in China” The New York Times <http://www.nytimes.com/interactive/2015/08/21/world/asia/tianjin-china-explosion-hazardous-chemical-sites.html>

According to Chinese officials, the warehouse in Tianjin, a major port city, stored at least 700 tons of one common deadly chemical, sodium cyanide, used in mining to separate gold and silver from rock. After the deadly explosions, residents of Tianjin have been gripped by fear and uncertainty over the presence of toxic chemicals in the city’s air and water, setting off a national debate about hidden safety hazards along the supply route for sodium cyanide. Chinese regulations forbid facilities with hazardous chemicals to operate less than one kilometer (two-thirds of a mile) from public buildings and major roads. The consequences of an accident at such a storage site can be disastrous. The blasts in Tianjin killed over 100 people, injured hundreds more and turned the surroundings into wasteland. Experts said it was possible that some of the sodium cyanide had combined with water to form a toxic vapor. Thousands of dead fish washed up on a riverbank near the site of the explosions last week. White foam filled the streets during the first rain shower after the blasts. Residents and relatives of those killed have taken to the streets in protest, demanding to be told how a hazardous chemical storage site could be so close to their homes The sodium cyanide stored at the warehouse originated from a factory 200 miles west of Tianjin. Chinese news media reported a foul smell in the air near the factory, and residents said they had found white foam in the groundwater. Some complained of headaches. The company, Hebei Chengxin, is one of the largest makers of the toxic substance in Asia. Its sprawling facility is close to a primary school with up to 700 students and staff members. Company officials could not be reached for comment. The plant’s apparent violation of distance rules reflects China’s difficulties in enforcing safety standards during a time of rapid industrialization. In May, the Ministry of Environmental Protection issued draft guidelines for improving environmental protection in industrial parks, noting that some had “expanded recklessly.” Such parks “create serious pollution and severe environmental hazards that are affecting social harmony and stability,” the guidelines warned.

Impact: Chinese negligence and corruption causes the death of 73 civilians (Shenzhen landslide)

New York Times 2016 (Jane Perlez is the chief diplomatic correspondent in the Beijing bureau of The New York Times. Ms. Perlez won the Pulitzer Prize for international reporting in 2009 as part of a team of Times correspondents.) 16 July 2016 “China Cites Negligence as Cause of Landslide That Killed 73” New York Times <http://www.nytimes.com/2016/07/17/world/asia/china-cites-negligence-as-cause-of-landslide-that-killed-73.html?ref=topics>

A landslide of dirt and construction debris that killed 73 people in the city of Shenzhen in December was caused by negligence and the improper storage of waste at a huge dump site, the Chinese government has concluded after a seven-month investigation. China’s powerful State Council, which conducted the inquiry, said on Friday night that 53 people had been detained in connection with the disaster, including company executives and government officials, and that 57 others faced disciplinary measures, such as demotion. The council also said the license of the private company managing the landfill site, Shenzhen Yixianglong, should be revoked. The investigation ruled out geological and weather factors. Instead, it blamed shoddy oversight and negligence by urban management and industrial safety agencies in the Shenzhen municipal government. One of the southern city’s agencies had ignored a monitoring firm’s reports of cracks and signs of sinking at the landfill, according to the council’s report, which also said the site had lacked a proper drainage system. There had been many warnings, including from truck drivers who had been dumping debris, that the site was unstable before the massive pile of waste collapsed during heavy rains, engulfing homes and factories. The head of the urban management bureau that was found to be at fault killed himself shortly after the disaster. The official, Xu Yuan’an, “shoulders important responsibilities for the accident” because he had taken bribes, the council’s report said.

Impact: China’s failed infrastructure claims innocent lives

Bloomberg News 2012 (Christina Larson, graduate of Stanford University and Oxford University, China correspondent for Bloomberg and Science Magazine) 27 September 2012 “The Cracks in China's Shiny Buildings” Bloomberg News <http://www.bloomberg.com/news/articles/2012-09-27/the-cracks-in-chinas-shiny-buildings>

In July, massive flooding raised questions about the fitness of this low-lying stretch of land for dense development. Local media reported that properties adjacent to Fun City experienced water-logged basements, while parts of the nearby G-4 superhighway were submerged. At least 77 people died—many of them drowned in their cars—in part because of inadequate or clogged drainage systems. Nearly every month brings news of an infrastructure failure, dramatic or mundane. In August a new $300 million eight-lane suspension bridge in Harbin collapsed, sending four trucks tumbling and leaving three dead. In 2009 a nearly completed building in Shanghai toppled like a domino because its foundation was inadequate. The U.K.’s *Telegraph* reported that within months of opening last year, the $210 million Guangzhou Opera House began to shed its glass window panels and developed large cracks in its ceiling. Last year writer Evan Osnos chronicled on his *New Yorker* blog the premature decline of his courtyard house: “When the rainy season hit Beijing, our house began to show its age. About four years old, to be precise.” All of this is at odds with the image overseas of China winning the “infrastructure race,” as the headline of an Aug. 24 online story from *Foreign Policy* put it. China’s structural woes stem in part from the government’s focus on quantity of growth over quality. The idea is to employ as many workers as possible. Wang Mengshu, deputy chief engineer at China Railway Tunnel Group, says that rather than use advanced technology to carve out railroad tunnels, the group often prefers to hire millions of pairs of hands “to solve the national employment problem.”

5. Increases Chinese hegemony

Link: China wants hegemony

Colin Clark 2016 (journalist) China Seeks ‘Hegemony’ in Asia: Adm. Harris, PACOM, BREAKING DEFENSE 23 Feb 2016 <http://breakingdefense.com/2016/02/china-seeks-hegemony-in-asia-adm-harris-pacom/>

The gloves came off during today’s Senate Armed Services committee hearing on China and North Korea with Pacific Command’s Adm. Harry Harris saying that China seeks “hegemony in East Asia” and is unequivocally militarizing the South China Sea. “In my opinion, China is clearly militarizing its position in the South China Sea. You’d have to believe in a flat earth to believe otherwise,” Harris told the committee this morning.

Link: AIIB will be used to advance China’s agenda / strategic interests

The Financial Times 2015 (James Kynge and Gabriel Wildau) 17 March 2015 “China: With friends like these” The Financial Times <http://www.ft.com/intl/cms/s/2/2bb4028a-cbf0-11e4-aeb5-00144feab7de.html#axzz4EShHIWxi>

Yun Sun, an expert on Chinese foreign policy at the Stimson Center in Washington, says there has been pressure to use the AIIB’s loans to “advance China’s economic agenda, especially the export of Chinese products and services”. Chinese foreign policy strategists, meanwhile, have argued that the bank “should support China’s strategic interests, with a result that countries disrespectful of China should receive less favourable consideration”, she adds. Such ideas present a challenge not only for China, but also for the countries that join the multilateral lenders that it leads. Beijing’s shifting strategic interests are often at odds with those of its neighbours and western powers, while the aim of promoting Chinese exports may not appeal to all partners.

Link: AIIB is specifically intended to promote Chinese leadership / global governance

Rebecca Liao 2014 (*corporate attorney, writer and China analyst based in Silicon Valley* ) 19 Dec 2014 THE NATIONAL INTEREST “Beware of Chinese Hegemony“ <http://nationalinterest.org/blog/the-buzz/beware-chinese-hegemony-11896>

Last month was the culmination of China’s yearlong announcement that it will take up its own mantle of global governance. Since the lead-up to the APEC summit, Beijing has rolled out a veritable alphabet soup of multilateral organizations to challenge the much-maligned preeminence of the World Bank, the International Monetary Fund and the World Trade Organization. China’s most credible claim to leadership is in the area of infrastructure development. Not surprisingly, the most developed of its multilateral initiatives is the Asian Infrastructure Investment Bank.

Brink: Chinese hegemony is rising but not inevitable.

Dr. Robert Kelly 2014 (PhD; associate professor of international relations in the Department of Political Science and Diplomacy at Pusan National University in South Korea) Can China Legitimate Its Would-Be Hegemony in Asia? 7 Aug 2014 THE DIPLOMAT <http://thediplomat.com/2014/08/can-china-legitimate-its-would-be-hegemony-in-asia/>

Chinese hegemony in the western Pacific is not inevitable. For one thing, it has many opponents. But for all sorts of reasons, a full-blown containment line from India east and north to Japan is increasingly unlikely. India is hesitant. Southeast Asia desperately wants to trade with China and be pulled up along with its rise, not balance against it. South Korea is as likely to align with Beijing against Japan as vice versa. That leaves Japan, Taiwan, and the U.S. This might be enough to deter Chinese ambition, but Japan has been struggling for decades, and the U.S. is overextended.

Impact: Loss of democracy

Rebecca Liao 2014 (*corporate attorney, writer and China analyst based in Silicon Valley* ) 19 Dec 2014 THE NATIONAL INTEREST “Beware of Chinese Hegemony“ <http://nationalinterest.org/blog/the-buzz/beware-chinese-hegemony-11896>

China is in danger of reviving that tradition of exporting its take on authoritarianism. Granted, its methods are much more subtle. In place of the Soviet demand for twinning, China requires loyalty in matters of foreign affairs, which often means foregoing true democracy. The country has (sincerely) insisted that, unlike the West, it is opposed to interference in the internal affairs of others.

Impact: Authoritarian repression. China promotes authoritarian repressive ideology in Asia

John J. Tkacik, Jr. 2007. (Senior Research Fellow in China, Taiwan, and Mongolia Policy in the Asian Stud­ies Center at The Heritage Foundation) 17 Mar 2007, “China's Quest for a Superpower Military” HERITAGE FOUNDATION, Backgrounder #2036 <http://www.heritage.org/Research/AsiaandthePacific/bg2036.cfm>

America could engage and strengthen the cur­rent robust trans-Pacific alignment, knitting the democracies of the Americas with their counter­parts along the Western Pacific Rim, or a disengaged America could allow a Sino-centric axis to crystal­lize as ASEAN, Taiwan, Korea, and eventually Japan, Australia, and South and Central Asia band­wagon with China. The latter would make Leninist-mercantilist China the rule-maker in Asia, not just for transnational trade and financial structures, but also for a new Asian security architecture and a new ideology of authoritarian state-mercantilism that defends repressive "development models based on national conditions."

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