Contesting Contested Multilateralism: Why the West Joined the Rest in Founding the Asian Infrastructure Investment Bank

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Abstract

This study examines why a large number of Western advanced economies joined the China-led Asian Infrastructure Investment Bank (AIIB) in 2015 despite the bank’s purported challenge to the Western-centred international order in the area of multilateral development finance. Through a mixed-method examination involving elite interviews, analyses of government pronouncements and regressions, and by drawing on concepts from rational choice theory, international policy diffusion, and rational design of international institutions, this study finds that the AIIB’s success with regard to its large membership is due to China’s effective creation of a demand for the organization among Western advanced economies. We argue that policymakers in Western countries enjoyed ‘induced agency’, which China granted them in the process of creating the organization and deciding about its membership. First, Western advanced economies had agency because their involvement was needed to prevent the AIIB from becoming a homogenous small organization consisting of Asian debtor countries in favour of a global organization with a heterogeneous group of both debtor and creditor country members. The AIIB was thus set up to accommodate the specific economic and political goals of Western advanced economies. Secondly, Western advanced economies experienced agency in the process of deciding about their membership in the bank because China proactively courted them to join the AIIB. China moreover endorsed the spontaneous intensification of communications that ensued among Western advanced economies with regard to joining the AIIB. Both efforts ultimately resulted in diffusion among them of the decision to become members. Thirdly, the Western advanced economies were granted agency in the process of determining the AIIB’s organizational design, thus allowing them to converge the initially diverse visions for the institutional design of the bank and shift it from contesting the existing system of multilateral development banks to effectively integrating into it. Our study thus advances a theory of country-specific demand for membership in an international organization.
Introduction

In 2015, China surprised the world by successfully leading the establishment of the Asian Infrastructure Investment Bank (AIIB). Set up as a multilateral development bank (MDB) whose focus is on financing infrastructure development, the Beijing-based bank started operations at the end of that year with a founding membership of 57 countries—an impressive number just 11 short of the current membership of the Japan-led Asian Development Bank (ADB) founded in 1966. Not only an unexpectedly high number but also a wide range of countries have chosen to join the bank. Most notably, many Western advanced economies jostled with Asian developing economies to become founding members of the AIIB. The former’s policymakers made the decision amid rising apprehension about Chinese dominance of the bank and growing Chinese financial power, the potentially lower governance, environmental, labour, and other lending standards adopted by the institution, and its perceived challenges to the Western-dominated international financial order. Given these significant headwinds, the bank’s widespread international reception is said to have stunned even Chinese policymakers themselves.

This study examines why so many Western advanced economies joined the AIIB as founding members despite concerns about it constituting a case of ‘contested multilateralism’, defined as the creation of ‘an alternative multilateral institution to compete with existing ones’. In the months after Chinese President Xi Jinping’s announcement of the initiative in late 2013, the prevailing view of the AIIB to emerge was that it was a case of ‘competitive regime creation’, whereby China, dissatisfied with its diminished power in the existing Bretton Woods-dominated system, led the creation of this new institution ‘to challenge the existing institutional status quo’. Recent quantitative research indeed suggests that contested multilateralism was an important determinant of AIIB membership, especially as Asian developing countries and states economically and politically close to China readily expressed their commitment to join the AIIB. However,
what remains unresolved is the question of why Western advanced economies, including the four European G7 members, Australia, and New Zealand, decided to join the AIIB as founding members. These countries held a major stake in upholding the existing system of multilateral development finance, given their dominance in institutions such as the World Bank or International Monetary Fund (IMF). Why would they join a new MDB that intends to undermine the very system they created?

Drawing on elite interviews, content analysis of governmental and media documents, and regression models, we find that the AIIB’s success with regard to its large membership is attributable to China’s effective creation of a demand for the organization among Western advanced economies. We argue that policymakers in Western countries enjoyed ‘induced agency’ in the establishment of the AIIB, defined as being allowed considerable influence in the processes of creating the organization, in decisions regarding their founding membership, and in the drafting of the AIIB’s articles of agreement. We consider such agency to have been induced because it was granted to Western economies by China, which could have opted for greater control in the establishment of the AIIB and adopted more restrictive approaches towards membership in the new organization, as has been the case so far with the Belt and Road Initiative (BRI) and the New Development Bank (NDB). Instead, the induced agency that led Western advanced economies to participate in the AIIB manifested itself in three specific ways.

First, Western advanced economies had agency because their involvement was needed to prevent the AIIB from becoming a homogenous small organization consisting primarily of debtor countries. Most signatories of the Memorandum of Understanding (MoU) to establish the AIIB in October 2014 were Asian developing countries, and the organization needed creditor countries that would transform the AIIB into a global organization with a more heterogeneous membership. The AIIB was thus structured to accommodate the specific economic and political goals of Western high-income countries, many of which were complementary to those of Asian developing countries. This resulted in ‘goal heterogeneity’ among prospective founding members, which is similar to the concept of preference heterogeneity in the rational choice literature. However, although heterogeneity is often the cause of failure to reach a desired outcome in rational choice theory, in the case of AIIB membership it enhanced the pool of different countries interested in its success.
in joining the AIIB, and was thus an important factor in determining the large size and diversity of its founding membership.

Secondly, Western advanced economies experienced agency in the process of deciding about membership because China actively courted them to join the AIIB. China moreover endorsed the spontaneous intensification of interaction, consultations, and information-sharing with regard to the proposed AIIB that ensued among Western countries, who supported one another in refining their positions vis-à-vis AIIB membership. This reduced generally held apprehensions about the constitution of the AIIB and China’s role in creating and leading it, and enhanced confidence about membership in the bank. As Western economies looked at and responded to each other’s intentions and actions towards the proposed AIIB, the actual decision to join the AIIB eventually spread from government to government. The decisions of some governments to join were conditioned by prior decisions or actions of other governments, similar to the processes of learning, emulation, and competition in international policy diffusion.10 The result was a process of ‘decision diffusion’ to join the AIIB.

Thirdly, the Western advanced economies were granted agency in the process of determining the AIIB’s organizational design, allowing a process to occur wherein initially diverse visions for the institutional design of the AIIB among prospective founding members were reconciled through negotiations to produce an acceptable final design. Several Western countries opted for founding membership at the point where influencing the design of the AIIB from within had proven more promising than external pressure. The prospect of preventing any emergence of parallel structures in international development finance created by China incentivized Western creditor countries to join the organization. They thus effectively contested the contested multilateralism by promoting the convergence of the AIIB’s organizational design to accommodate their preferences. This ‘design convergence’ eventually integrated the organization into the prevailing financial order, whereby the AIIB’s governance structures conform to the common standards and governance procedures of international development finance. The result was a rational design for the AIIB that reflected a compromise among founding members.11

Our research provides important new theoretical and practical insights. Developed on the basis of inductive research, and drawing on insights from the rational choice, international policy diffusion, and rational design of international institutions literatures, we advance a theory of the demand for membership in international organizations (IOs) that complements a literature whose primary focus has been on IO formation.12 Practically, our research exemplifies how emerging powers can establish a successful global organization involving

members with a strong interest in maintaining the status quo. Granting the latter
induced agency in the establishment of the organization was a game-changer in
the case of the AIIB.

The rest of this study is structured as follows. First, we expose the limitations
of the available theories and studies so far with respect to examination of individ-
ual country-specific reasons for joining IOs in general and the AIIB in particular.
A brief methodology section follows this discussion. We then develop our case
study findings in three steps, followed by a section where we revisit the contested
multilateralism framework in the context of AIIB accession. In a discussion sec-
tion, we elaborate on the theoretical implications of our findings, and propose
ways towards further development of the theory. A final section concludes.

**Insights and Shortcomings of Existing Theoretical Work**

The first step in an effective examination of why Western advanced economies
joined the AIIB must be to understand why individual countries join specific IOs.
However, the core IO theories do not provide a conclusive account of what drives
the demand for membership. Rather, these theories focus on the purposes and
functions of creating international organizations, such as promoting international
cooperation, delegating functions, and facilitating hegemonic leadership. The
implicit assumption appears to be that these purposes and functions translate
into reasons why countries become members. The following key international
organization theories exemplify this lack of focus on country-specific decisions to
join an IO.

The theory of liberal institutionalism argues that countries create IOs to col-
laborate, achieve mutual gains, and better confront common challenges.13 An or-
ganization provides public goods of various kinds, such as commonly agreed
rules and norms, international peace, stability and prosperity,14 regionalization,15
and, as suggested by rational functionalists, cooperation in technical areas.16
Many regional and economic organizations focus in particular on the provision
of global public goods.17 When formed by larger states, small powers can benefit
from free-riding on the collective goods that an IO provides.18 In addition to

14 José E. Alvarez, ‘International Organizations: Then and Now’, *American Journal of
15 Benedicte Bull and Morten Bøås, ‘Multilateral Development Banks as Regionalising
Actors: The Asian Development Bank and the Inter-American Development Bank’, *New
16 Koremenos et al., ‘The Rational Design of International Institutions’.
17 Todd Sandler, ‘Regional Public Goods and International Organizations’, *The Review of
18 Lloyd Gruber, *Ruling the World: Power Politics and the Rise of Supranational Institutions*
public good provision, IO membership also entails country-specific benefits, including issue-area functional gains such as specific economic benefits, or gains in other areas such as political advantages or international recognition. They can be specific to any particular country, and strongly tied to the national self-interest, so of importance, therefore, to the membership decision. The AIIB and other MDBs aim to provide both shared and country-specific benefits by financing and providing technical expertise for development and infrastructure projects in developing countries. However, liberal institutionalism does not provide solid insights into why certain types of countries, such as Western advanced economies, make the decision to join an IO.

Theories of delegation suggest that countries can more effectively achieve some purposes and functions through IOs, whose institutional characteristics offer several advantages over individual state action and the decentralized cooperation of states. By forming IOs, states delegate functions from the individual to the multilateral level, whereby Member States are multiple principals and the organization functions as a single agent. This approach gives the IO relative independence from the influence of individual states, resulting in more efficient coordination among states and resolution of international challenges. In setting up MDBs like the AIIB, countries collectively delegate the financing of large international development projects to a multilateral institution. But theories of delegation fail to give convincing explanations as to why individual countries decide to join specific MDBs.

25 Abbott and Snidal, ‘Why States Act through Formal International Organizations’.
26 Jenks and Kharas, ‘Toward a New Multilateralism’.
Hegemonic stability theory holds that participation in IOs is conditioned by a country’s relationship with the hegemonic power that creates and leads international regimes.\(^{27}\) As other countries may exercise, challenge, or follow a particular state’s leadership in the international system,\(^ {28}\) geopolitical alliances, therefore, can play an important role in countries’ engagements with particular IOs.\(^ {29}\) China exercised leadership in the formation of the AIIB by virtue of launching the initiative, obtaining the highest share of votes in the organization, and insisting that its headquarters be located in Beijing. The positions that countries held on China’s hegemonic ambitions, especially in Western advanced economies with a preference for a US-led international order, therefore, might have affected the membership decision. However, hegemonic stability theory focuses on the role of the country creating the organization, providing only secondary insights into why other countries might become members.

In their contribution to the *Oxford Handbook of International Organizations*, Pevenhouse & von Borzyskowski repeatedly concur with our above assessment, because while there is this large body of literature on IO formation, explanations for the decision to join IOs are much less theoretically developed. Although acknowledging that both are related and have for many years been treated as the same question, they emphasise the need for a greater conceptual distinction between the two.\(^ {30}\) While there is some empirical work aiming to explain what types of countries join a particular IO, as in Davis and Wilf’s study on the timing of accession to the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) from 1948 to 2014,\(^ {31}\) more work is needed to understand the context and drivers of individual government decisions to join an IO, taking into account the diversity of individual state and government interests in relation to the membership decision.\(^ {32}\)

In the case of the AIIB, the organizational purposes and functions of the proposed organization were little different from those of other MDBs. The general reasons for creating the AIIB and the intrinsic value of membership in such an institution are well established through similarities to the formation of the World Bank, ADB, and other MDBs. However, this point does not explain the


\(^{29}\) Davis and Wilf, ‘Joining the Club’.

\(^{30}\) Pevehouse and Borzyskowski, ‘International Organizations in World Politics’.

\(^{31}\) Davis and Wilf, ‘Joining the Club’.

considerable variance in membership numbers among MDBs and the high membership of the initially contested AIIB that included Western advanced economies. A greater focus on country-specific aspects is necessary to examine why a particular group of countries—in our case Western countries—decided to join the AIIB.

The still nascent but evolving literature on the creation of the AIIB has not applied any of the above grand IO theories; its focus is almost exclusively on the bank as an institution created to challenge the pre-established order, especially the Bretton Woods system. Most emerging quantitative empirical work on the creation of the AIIB has employed the contested multilateralism framework, which describes a situation or strategy in which international actors shift between or create new international organizations to ‘challenge the rules, practices, or missions of existing multilateral institutions’. As existing international institutions struggle to adapt to changes in the global distribution of power, it has been suggested that emerging powers like China find it difficult to capture their interests in pre-existing regimes. Through competitive regime creation, such emerging powers that are dissatisfied with the current international regime may exercise the option to create new institutions tailored to their needs. The creation of the


37 Morse and Keohane, ‘Contested Multilateralism’, p. 387; Christian Kreuder-Sonnen and Bernhard Zangl, ‘Varieties of Contested Multilateralism: Positive and Negative
Inter-American, Asian, and African Development Banks indeed aimed at fulfilling the specific needs of less developed countries ‘because Third World states were dissatisfied with the existing major public international financial institutions, the World Bank and the International Monetary Fund’. Developing countries joined these institutions to gain more access to credit for infrastructure projects, which they could not obtain from the large MDBs, and to shield themselves against pressure from advanced economies. In the case of China, MDBs proved unable to accommodate China’s demands for more leadership and voice, and the AIIB is often seen as China’s response to this insufficiency.

From this perspective, the AIIB is viewed as an institution created to advance China’s foreign policy objectives, so membership would favour countries with close geopolitical ties and shared values with China. Focusing on the trajectory of membership accession (Figure 1), Rodriguez Vieira finds that states more aligned with China were more likely to join the AIIB early, and that ADB members, US allies, and democratic states were more likely to join later. Wang suggests that less represented and more dissatisfied countries were most eager to join the AIIB.

Contested multilateralism exhibits certain strengths in explaining the initial motivations for China to create the AIIB, and the ease with which a group of primarily Asian developing countries endorsed its formation by signing an MoU to establish the AIIB in October 2014. However, its explanatory power appears diminished in explaining why a large number of countries—especially Western advanced economies, who set up the international system and have a strong stake in maintaining it—eventually joined the bank. Western democracies joined the AIIB less than one-half year after the MoU was signed, placing into question the importance of geopolitical alignment and contested multilateralism in explaining AIIB membership. Existing quantitative analyses of contested multilateralism, therefore, fall short of explaining Western participation in the AIIB. In a first effort to accomplish such an explanation, He and Feng argue that Western economies are follower states in the rivalry for international leadership between the United States as the incumbent leader and China as the challenging state. They argue that other Western advanced economies will join a challenging state’s initiatives if they perceive a benefit from such an action, and if the challenging state takes an inclusive approach to participation. We seek to build on this and the other initial studies


39 Ibid.


41 Vieira, ‘Who Joins Counter-hegemonic IGOs?’.


**Fig. 1.** First Known Date of Expression of Interest in Joining the AIIB, by Member.

*Note:* Early movers are on the left and latecomers to the right of the dashed line.
by drawing on the interviews and public expressions of policymakers involved in the processes of AIIB accession. To the best of our knowledge, no previous work has used such data to study the 2014–2015 period of AIIB accession. We will revisit the issue of contested multinationalism after reporting our findings.

**Research Design**

By contrast with the above theories that position the organization at the centre of analysis and focus on the international system in its entirety, we treat a country and its government’s decision to join the AIIB as the unit of analysis, and conceptually examine the accession decision from that perspective. Our examination covers the decisions of all countries to join the AIIB, something we considered a necessary prerequisite to focusing on why Western countries joined. We favour an inductive approach to our inquiry, undertaking a mixed-method examination aimed at identifying mechanisms that led to AIIB accession. Our core research strategy consists of three components: content analysis of public documentation, elite interviews, and regression models. Such a mixed-method approach was considered necessary, as none of the methods on its own would have sufficed in providing a comprehensive picture of why countries chose to join the AIIB.44

Our first step was to identify all the goals countries hoped to achieve by joining the bank. This identification was achieved through content analysis of 157 government communications and media articles from 56 countries, excluding China. The sources, published between July 2014 and May 2016, were collected through a systematic online search by country. The initial search yielded several hundred articles and communications discussing the countries joining the AIIB. We eliminated those providing no explicit pronouncements on goals for joining. The process of coding required following a systematic and replicable approach. All pronouncements indicating a goal for joining the AIIB were coded in NVivo. The large majority of coded text was found either in a government source, such as the website of a relevant ministry, or taken from a direct quote or paraphrased explanation by a government official in an article provided by a media source. Coding categories were subsequently derived through emergent coding techniques,45 as the categories were not known *a priori*.46 To increase reliability, we employed a double-blind coding technique, with two researchers coding separately in NVivo and subsequently comparing results, and eliminating differences

between the two by agreement. The coded information is rich in content, yielding an original database of expressed goals for joining the AIIB. These results are presented in the next section. Summary statistics of the nature of the data are provided in Table 1.

Although such content analysis has the power to provide insights from many countries, important information might remain hidden or not explored in sufficient depth due to reliance on publicly available sources. To overcome this limitation, we consulted 15 senior policy-makers from AIIB founding members, plus 1 expert from the AIIB, via in-depth semi-structured phone interviews (and 1 written submission) between April and November 2018. A list of interviewees is provided in Table 2. All were either knowledgeable about the accession decisions or closely involved in the process of AIIB establishment, and all held high ranks at the time of accession; they include former departmental ministers, senior diplomats, and directors. Our interviews covered the entire AIIB geographical scope, but with a certain focus on Western advanced economies, consistent with our research question. While each interview broadly followed the list of interview questions provided in Table 3, their semi-structured nature allowed for flexibility in uncovering specific issues in greater detail, enabling interviewees to reveal unanticipated information and novel insights. Taken as a whole, the accounts these interviewees provided offered many rare insights into the diplomacy of AIIB accession. Information acquired from interviews was cross-checked with our content analysis. In reporting our findings, we used interview codes to guarantee anonymity.

We complemented our rich primary data with secondary sources when discussing the unfolding of events during the establishment of the AIIB in 2014–2015. Extensive primary and secondary qualitative evidence enabled us to reconstruct the chronology of exactly how these events unfolded, and make inferences about their causation, from the events and policy decisions to the outcome of joining the organization as a founding member.47

Finally, we found regression models to be a valuable addition to our study. They enabled us to test the robustness of our qualitative findings through an

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Table 1. Summary Statistics of Analysed Communications

<table>
<thead>
<tr>
<th>Articles per country</th>
<th>No. of articles</th>
<th>Language</th>
<th>No. of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>6</td>
<td>English</td>
<td>141</td>
</tr>
<tr>
<td>Minimum</td>
<td>0</td>
<td>German</td>
<td>7</td>
</tr>
<tr>
<td>Mean</td>
<td>2.7</td>
<td>Spanish</td>
<td>3</td>
</tr>
<tr>
<td>Median</td>
<td>3</td>
<td>French</td>
<td>2</td>
</tr>
<tr>
<td>Mode</td>
<td>3</td>
<td>Portuguese</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arabic</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dutch</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>157</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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approach from a very different methodological tradition, and also allowed us to replicate the kind of methodology that has so far dominated the literature on the creation of the AIIB. In summary, our study has been innovative by virtue of combining different methods to explore a research question, and it could be an interesting model for future research.

Having examined our data, we divided our analysis according to three separate aspects related to the decision to join the AIIB—the goals countries had with regard to organizational membership, the dynamics and processes of decision-making among states, and each country’s approach to the design aspects of the organization.

Goal Heterogeneity

Table 4 lists the coded goals for joining the AIIB by frequency of their occurrence in the content analysis, counting each country to which a category applied as one occurrence. The frequency should be interpreted as the minimum number of countries to which the goal applied, as more countries might have had the same goal but did not disclose it. It provides an indication of the relative importance of each category in the entire sample of countries. Given that the goals were derived from pronouncements of public officials, the list can be interpreted as ‘official’ goals for joining the AIIB.48

To obtain more information from the data, we compared the frequency of goals between countries within and outside the AIIB region (including Asia and Oceania within the region, as defined by the AIIB), between low-/middle-, and high-income countries (World Bank classification) and between early-movers and

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48 A list with full quotes and associated sources is available from the authors upon request.
latecomers (the latter defined as having expressed interest in joining after the UK did on March 11, 2015). Tables 5 and 6 present the difference in such frequency and whether it was significant. The goals can be separated into five economic (Table 5) and four political (Table 6) ones.

Table 3. List of Interview Questions

<table>
<thead>
<tr>
<th>Coding category</th>
<th>Description of what is measured</th>
<th>No. of countries</th>
<th>Confirmed by interview No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why did country join the AIIB?</td>
<td>Why did the country join the AIIB?</td>
<td>29</td>
<td>U1, U7, K7, K8</td>
</tr>
<tr>
<td>What were the (potential) benefits for country of joining the bank?</td>
<td>What were the potential benefits for the country?</td>
<td>28</td>
<td>U1, U2, U3, U4, U7, K1, K2, K3, K4, K5, K6, K7, K8, K9</td>
</tr>
<tr>
<td>What were the (potential) costs to country of joining the bank?</td>
<td>What were the potential costs to the country?</td>
<td>28</td>
<td>U7, K3, K7, K8, K9</td>
</tr>
<tr>
<td>Looking back at the relevant period in 2014–2015, how did it happen that country joined the AIIB? Please provide an account of relevant events and processes.</td>
<td>Looking back at the relevant period in 2014–2015, how did it happen that the country joined the AIIB? Please provide an account of relevant events and processes.</td>
<td>21</td>
<td>U7, K3, K7, K8, K9</td>
</tr>
<tr>
<td>Were there specific interactions and exchanges between country and other countries about the AIIB and whether to join the organization? If so, what types of interaction and exchanges and with what countries?</td>
<td>Were there specific interactions and exchanges between the country and other countries about the AIIB and whether to join the organization? If so, what types of interaction and exchanges and with what countries?</td>
<td>20</td>
<td>U2, U3, U4, U5, U6, U7, K2, K7, K9</td>
</tr>
<tr>
<td>Was country influenced by other countries in its decision to join the AIIB? If yes, how was it influenced?</td>
<td>Was the country influenced by other countries in its decision to join the AIIB? If yes, how was it influenced?</td>
<td>19</td>
<td>U6, U7</td>
</tr>
<tr>
<td>Following China’s lead</td>
<td>Following China’s leadership.</td>
<td>16</td>
<td>U7, K1, K2, K3, K6, K8</td>
</tr>
<tr>
<td>Contribution to development assistance</td>
<td>The country joined the AIIB as an act of following China’s leadership.</td>
<td>11</td>
<td>K9</td>
</tr>
</tbody>
</table>

49 Number of countries that had this stated goal.

50 Following China’s lead was not mentioned by interviewees. This might have been because it was a less important goal overall, or because interviewees would be reluctant to admit it, preferring to emphasise improvements in bilateral relations with China.
The most common goals for joining the AIIB reflected the main public good the organization provided—to obtain funds for infrastructure projects. Many countries faced a dire need for capital to invest in connectivity, as domestic financing was often insufficient. Almost exclusively, the Asian countries for which these funds were earmarked joined to achieve this goal, as did the low- and middle-income countries that would become primary beneficiaries. It is not surprising, therefore, that these countries joined quickly and formed a large portion

### Table 5. Economic Goals for Joining the AIIB by Types of Country

<table>
<thead>
<tr>
<th>Country type</th>
<th>Obs.</th>
<th>Obtain AIIB funds</th>
<th>Business opportunities</th>
<th>Economic cooperation with / in Asia</th>
<th>Support public good of infrastructure funding</th>
<th>Contribution to development assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within AIIB region</td>
<td>36</td>
<td>72%</td>
<td>17%</td>
<td>22%</td>
<td>47%</td>
<td>8%</td>
</tr>
<tr>
<td>Outside AIIB region</td>
<td>20</td>
<td>15%</td>
<td>75%</td>
<td>55%</td>
<td>55%</td>
<td>20%</td>
</tr>
<tr>
<td>Mean diff.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low and middle income</td>
<td>27</td>
<td>93%</td>
<td>7%</td>
<td>15%</td>
<td>41%</td>
<td>4%</td>
</tr>
<tr>
<td>High income</td>
<td>29</td>
<td>14%</td>
<td>66%</td>
<td>52%</td>
<td>59%</td>
<td>21%</td>
</tr>
<tr>
<td>Mean diff.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early members</td>
<td>26</td>
<td>77%</td>
<td>12%</td>
<td>19%</td>
<td>50%</td>
<td>8%</td>
</tr>
<tr>
<td>Latecomers</td>
<td>30</td>
<td>30%</td>
<td>60%</td>
<td>47%</td>
<td>50%</td>
<td>17%</td>
</tr>
<tr>
<td>Mean diff.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Statistical significance is expressed as:
*p < 0.05,, **p < 0.01, and, ***p < 0.001. Mean differences are calculated with t-tests.

### Table 6. Political Goals for Joining the AIIB by Types of Country

<table>
<thead>
<tr>
<th>Country type</th>
<th>Obs.</th>
<th>Influence within the bank</th>
<th>Complements other MDBs</th>
<th>Enhancing bilateral relations with China</th>
<th>Following China’s lead</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within AIIB region</td>
<td>36</td>
<td>42%</td>
<td>31%</td>
<td>11%</td>
<td>25%</td>
</tr>
<tr>
<td>Outside AIIB region</td>
<td>20</td>
<td>65%</td>
<td>35%</td>
<td>60%</td>
<td>10%</td>
</tr>
<tr>
<td>Mean diff.</td>
<td></td>
<td>-23%*</td>
<td>-4%</td>
<td>-49%***</td>
<td>15%</td>
</tr>
<tr>
<td>Low and middle income</td>
<td>27</td>
<td>33%</td>
<td>37%</td>
<td>11%</td>
<td>26%</td>
</tr>
<tr>
<td>High income</td>
<td>29</td>
<td>66%</td>
<td>28%</td>
<td>45%</td>
<td>14%</td>
</tr>
<tr>
<td>Mean diff.</td>
<td></td>
<td>-32%**</td>
<td>-9%</td>
<td>-34%**</td>
<td>12%</td>
</tr>
<tr>
<td>Early members</td>
<td>26</td>
<td>35%</td>
<td>35%</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Latecomers</td>
<td>30</td>
<td>63%</td>
<td>30%</td>
<td>47%</td>
<td>23%</td>
</tr>
<tr>
<td>Mean diff.</td>
<td></td>
<td>-29%*</td>
<td>5%</td>
<td>-39%***</td>
<td>-8%</td>
</tr>
</tbody>
</table>

Note: Statistical significance is expressed as:
*p < 0.05,, **p < 0.01, and, ***p < 0.001. Mean differences are calculated with t-tests.
of early founding members. Some countries also expected to benefit from transfers of technical expertise as part of AIIB financing packages, and anticipated economic and technological spillover from investment projects.

In turn, many high-income countries outside the AIIB region, and countries that joined late expressed strong interest in the business opportunities that membership in the bank provided, including participation in infrastructure construction projects, opportunities to bid for relevant contracts, and enhanced exports to the growing Asian market. Our interviewees frequently emphasised this point. These countries tended to stress the importance of enhancing cooperation in economic, trade, and investment relations with Asian countries.

Beyond the benefits that the AIIB offered to countries individually, certain broader economic and development considerations played a role in the membership decision of all categories of countries in Tables 5 and 6. Many governments expressed agreement with the advice of international organizations (the ADB, ASEAN, G20 and IMF) and other experts that infrastructure construction was important for economic growth and development. Over the years, such experts had frequently highlighted the urgent need for greater connectivity in Asia, and also the funding gap in this area. Given the high frequency with which governments expressed this opinion in the context of AIIB accession, there was broad acceptance that the public good the AIIB provided was of great necessity. A few high-income countries went further by expressing their interest in providing development assistance via their membership in the AIIB, but on the whole this goal was of secondary importance to such countries.

Among the political goals, greater influence within the AIIB was the most important to be achieved by membership, and the second most important reason overall. Our interviewees emphasised that membership enabled countries to shape the organization from within, including its structure, rules, policies, and investment decisions. This ability was particularly important for high-income countries from outside the region that joined as latecomers, to ensure that the new organization would adopt high governance and lending standards. AIIB membership was moreover a means to rein in China’s power in the organization. For poorer countries in the Asian region, AIIB membership promised greater voting power than in other MDBs, given that regional members collectively hold 75% of AIIB shares. Some saw the AIIB as an organization that would have greater sympathy for their specific requirements and needs. Finally, some countries vied for privileged positions in the bank that called for founding member status.

Governments of all categories of countries in Tables 5 and 6 viewed the AIIB as a complement to existing MDBs; as a positive addition augmenting available financing options. The broad mandate of existing MDBs, targeted more generally at poverty reduction, made them ill-equipped to fill the gap in infrastructure finance. This lack created the need for an additional institution specializing in infrastructure. The AIIB was expected to coordinate and partner with other MDBs and engage with them in the co-financing of projects. Our interviewees concurred with this position, which is something that might question the applicability of the contested multilateralism framework to the AIIB context.
Finally, a country’s individual relations with China were an important factor in the decision to join the AIIB. In particular, high-income countries from outside the region and latecomers saw engagement with the China-led initiative as a good opportunity to cultivate and strengthen political, economic, and two-way trade and investment relations with this growing global political and economic power. A few countries expressed their interest in following China’s leadership in regional infrastructure development by joining the AIIB. This ‘follow-the-leader’ attitude included explicit interest in the BRI, China’s flagship policy to promote infrastructure construction along the former Silk Road and beyond.

This analysis of expressed reasons for joining the AIIB yielded a heterogeneous set of goals guiding the decisions of individual countries to join the AIIB. Much of this goal heterogeneity stemmed from the high-income countries from outside the AIIB region, most of which were latecomers, which had different sets of goals from those of their respective opposite groups, composed primarily of potential debtor countries. Because high-income countries would contribute substantial funds to the AIIB as creditor countries, their membership was needed to establish a global, credible, and financially sustainable organization. This situation provided Western advanced economies with agency during the process of negotiating AIIB accession, requiring China to ensure that their specific goals—especially greater influence within the bank, business opportunities, and economic cooperation with Asia and China—would be sufficiently met through membership. Such enhancement of goal heterogeneity was an effective means for China to create greater demand for AIIB membership.

Decision Diffusion
Governments influenced one another’s decision to join the AIIB in several ways. First, over the years preceding the AIIB’s establishment, a general belief that the lack of ‘connectivity’ was hampering development in Asia had grown and spread among countries in the region. It was a view that China championed, and which many other countries in the region and several MDBs shared. Such ‘expert theorising’ about the need for and value of infrastructure investment to spur economic development in Asia and the estimated $8 trillion infrastructure financing gap in the region, therefore, were instrumental in developing a shared understanding among states about the general merits of the AIIB. The content analysis and interviews confirmed that both advanced economies and the United States agreed with this argument.


52 Interview K3.
Secondly, China organized numerous meetings with likeminded Asian countries to discuss this prospective MDB and advance its establishment. At first, more than 20 Asian countries were invited to a series of 5 ‘consultation meetings’ held in Beijing (in January 2014 with 10 participating countries, and in March 2014 with 15 participants), in Shanghai (June 2014, with 22 countries), and again in Beijing (August 2014 with 20 participants, and September 2014 with 21 participants). At these meetings, key issues related to the potential structure and functioning of the AIIB were discussed, and the MoU was drafted. The initial consultation meetings enabled China to convince likeminded countries of the value of participation, and to set priorities for the establishment of the institution.53 It also allowed participating countries to consult each other about their intentions. The meetings helped to establish China as a leader of a group of follower countries that were enthusiastic about the project. These developing countries saw the AIIB as an important policy initiative that would benefit them and the entire region through win–win collaboration. What gave China credibility was its own positive experience with an investment-led and infrastructure-focused growth model, which has been one explanation for China’s remarkable ascendance from a poor country to one of the world’s leading economies.54

Thirdly, China organized a charm offensive towards countries neither invited nor eligible to participate in these early consultation meetings. From mid-2014 onwards, the Chinese government approached many countries within and beyond the AIIB region about their possible membership. These interactions involved the non-Asian BRICS countries early in the process,55 the G7 and the European Union (EU) countries, and Australia.56 Jin Liqun, who was to become the AIIB’s first president, visited many countries to promote the initiative, including the United States, Europe, and Germany.57 The Chinese strongly encouraged New Zealand to become a member, Xi Jinping himself having first made the proposal to Prime Minister John Key.58 The eagerness with which China sought Western participation in the AIIB gave advanced economies agency in the process of AIIB establishment. Knowing that China craved their participation, they could attach certain conditions to membership, which would help them achieve their goals in the organization and promote their preferred organizational design.

These early recruitment efforts were aimed at finding a sufficient number of confirmed founding members to formally launch the AIIB at the meeting of the

53 Interview U1.
54 Interview U4.
55 Interviews U4 and U5.
57 Interviews K3, K6, and K9.
58 Interview U2.
Asia-Pacific Economic Cooperation (APEC) in Beijing that autumn.59 But, at this meeting on 24 October, 2014, only 21 of the countries that China deliberately targeted through diplomatic efforts, and a majority of those that took part in the initial consultation meetings, signed the MoU to establish the AIIB with China. Other than Singapore, Qatar, and Kuwait, the signatories were developing countries from Asia, India being the only other large country. All were nations that collectively formed the geographic centre of the BRI. They were small enough to accept the AIIB as a case of contested multilateralism. They were instrumental in setting up an organization of a decent size, but creditor countries were needed as a source of finance, and to provide the new organization with a strong credit rating. Australia and South Korea were absent, leading some to conclude that the bank’s initial reception was lukewarm.60

The launch event in October was followed by an interim period of low further interest in the AIIB, during which five more countries confirmed their intentions to join the organization. These 26 countries became the early movers in Figure 1.61 During this period, a series of Chief Negotiator Meetings (CNMs) was arranged, whereby the confirmed prospective founding members could discuss further specificities of the soon-to-be organization, and negotiate its Articles of Agreement (AoA). CNMs were held in Kunming, China (November 2014), in Mumbai, India (January 2015), in Almaty, Kazakhstan (March 2015), in Beijing (April 2015), and in Singapore (May 2015). At each of these CNMs, new prospective founding members joined the deliberations.

The fourth means through which countries influenced each other was that of deliberations and exchanges which excluded China. From mid-2014 onwards, there were widespread exchanges among civil servants, especially from Western countries, on the issue of AIIB membership.62 Intense consultations and coordination took place on the issue among all G7 members, as well as informal consultations on the AIIB among all 28 EU Member States. Similar debates occurred among and within other relevant multilateral organizations, such as the G20 and other MDBs.63 Countries with relatively greater initial interest in joining the AIIB, such as Australia and South Korea, moreover, sought reassurance from other countries on whether or not they should be involved and participate in the initiative.64

59 Interview K3.
61 These are: Bangladesh, Brunei Darussalam, Cambodia, India, Indonesia, Jordan, Kazakhstan, Kuwait, Laos, Malaysia, Maldives, Mongolia, Myanmar, Nepal, New Zealand, Oman, Pakistan, Philippines, Qatar, Saudi Arabia, Tajikistan, Singapore, Sri Lanka, Thailand, Uzbekistan, and Vietnam.
62 Interviews U3, K1, K3, K4, and K8.
63 Interviews K4, K5, K6, and K8.
A watershed moment occurred in January 2015 ahead of the second CNM, when New Zealand—which had concluded a free trade agreement (FTA) with China in 2008—decided to join the AIIB. Although a small economy and not a member of the G7, New Zealand’s decision was significant, because it became the first Western advanced economy to become a member. The result was a new dynamic, where Australian, Canadian, EU, Japanese, Korean, and Swiss government officials were all interested in talking to the government of New Zealand to learn from its experience with the AoA negotiations. China took a favourable view of these exchanges, as they effectively constituted a bridge with other Western countries on the issue. Although Western countries did not act collectively on AIIB accession, these exchanges likely gave them further agency by virtue of bolstering their confidence that making the decision to join the AIIB would be consistent with the thinking of likeminded countries, and an appropriate approach to dealing with China’s role in forming the AIIB.

Then, on 12 March, 2015, ahead of the third CNM, Britain surprised the world by announcing its decision to join the AIIB, regardless of its ‘special relationship’ with the United States, and ignoring US pledges to refrain from making this decision unilaterally. It was hoped that being the first G7 economy to apply for membership of the AIIB would suitably impress China at a time when both countries were launching a new ‘Golden Era’ of UK–China relations wherein China would become one of the UK’s main trading partners. This decision also supported London’s efforts to become an international hub for internationalization of the Renminbi. A leading role in this decision was played by Chancellor of the Exchequer George Osborne and the British Treasury, whose aim was to intensify the UK’s global outlook and outward-looking orientation—an agenda that included a strong economic and political relationship with China.

Cultivating a good relationship with China was a key reason for Britain’s attempt to be a first mover among the large Western economies on this issue. In an atmosphere of intensifying Western interest in the AIIB, expressing membership intentions early on could garner points in a country’s relationship with China. And the UK was not the only one to take advantage of this opportunity. In fact, Luxembourg—which had its own specific interests as a financial centre—won the race by signing up to join the organization one day ahead of the UK, although the UK was the first to announce its decision. Consequently, it has been suggested that, diplomatically, China played Britain off against Luxembourg. This points

65 Interviews U2, K4, and K8.
66 Interview U2.
68 Interviews K1, K2, and K3.
69 Interviews K4 and K9.
70 Jamil Anderlini, ‘UK Move to Join China-led Bank a Surprise Even to Beijing’.
to the existence of a competitive dynamic among the latecomers when contemplated AIIB membership where countries competed for political gains in their relations with China.

After the UK joined the AIIB, it became inevitable that other advanced economies would follow suit, as China would otherwise have questioned why, if it was possible for the UK to join, other Western economies were not able to.71 There thus followed a cascade of membership applications from other advanced economies. Days after the UK’s decision, the three other G7 countries—Germany, France, and Italy—coordinated their announcement to join the AIIB,72 followed by smaller European economies, South Korea, and Australia. The case of Georgia is also interesting. Having heard about the AIIB from the World Bank, Georgia duly investigated the behaviour of other Western countries and decided to follow their example and join the AIIB.73 The mixed group of countries that joined within days of Britain’s decision, comprising several advanced economies and other developing countries from within and outside the Asian region, compose the latecomers in Figure 1.74

The deliberate strategies that China adopted to entice countries to join intensified this flurry of membership applications from advanced economies. One was to attach certain privileges to founding membership, including 600 additional votes and a greater political role in the bank.75 Another was to set a deadline of 1 April, 2015 for founding membership applications, so upping the pressure to decide whether or not to become such a privileged founding member.76 Along with bilateral and multilateral efforts to convince these countries, such subtle pressure was China’s way of nurturing greater Western demand for AIIB membership.

Design Convergence

China’s dissatisfaction with the prevalent system of multilateral development finance had manifested itself long before its announcement to establish the AIIB in October 2013. The AIIB was without doubt China’s response to the US dominance of the Bretton Woods Institutions, and the overall absence of progress in giving emerging economies a greater voice in them.77 At that time, China was also

71 Interviews K2 and K5.
73 Interview K7.
74 These are: Australia, Austria, Azerbaijan, Brazil, Denmark, Egypt, Finland, France, Georgia, Germany, Iceland, Iran, Israel, Italy, Kyrgyzstan, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Russia, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, and UK.
75 Interviews U1, U4, and K3.
76 Interviews U1, U7, K7, and K9.
77 Interviews U1, U2, U6, K3, and K6.
participating in the creation of the NDB with the BRICS countries, but was disappointed by its limited powers within this bank, which did not reflect relative GDP.\textsuperscript{78} The absence of strong creditor countries, moreover, would certainly reduce the effectiveness of the NDB. Thus, the AIIB can be understood as an effort to establish a truly China-led bank that would function better than the NDB and be leaner than the other MDBs, which were criticized for their heavy overheads.\textsuperscript{79}

Although it is not known what the Chinese had initially planned for the AIIB, the idea of a China-led bank geared to supporting China’s interests, such as the BRI, likely gained some traction among specific groups of Beijing policymakers.\textsuperscript{80} However, this view was not shared by the group surrounding Jin Liqun, who had himself accumulated a lifetime of experience in the World Bank and other MDBs, and understood why setting up a high-quality institution was vital.\textsuperscript{81} Ultimately, his circle’s point of view prevailed, and upon Jin Liqun’s embarking on the many visits to advanced economies to promote the bank it became increasingly evident that its aim would be to integrate itself into the existing system, and establish itself as an institution with high standards.

While some countries expressed enthusiasm about the prospective AIIB, the reaction among the G7 in mid-2014 was a mix of curiosity, cautious interest, and disinterest.\textsuperscript{82} The G7 countries, including the United States, indeed recognised the value of such a bank. They supported the idea of bringing debtor and creditor countries together for such an important cause, and favoured the thought of a leaner institution (made possible, for example, by not having a resident board), and many believed engagement with China on this initiative could foster good relations in other areas.\textsuperscript{83} However, these countries were also concerned that the AIIB would operate primarily as a vehicle to support China’s (geopolitical) interests, and create a separate block in the international financial architecture. It remained unclear whether the governance framework, public procurement rules, and environmental, social, and other standards would be sufficiently solid in a leaner and China-led AIIB.\textsuperscript{84} Japan in particular—given its leading role in the ADB, fierce regional competition with China in Asia, and ongoing territorial disputes with China—raised many concerns about governance structures and potential Chinese dominance in the bank.\textsuperscript{85} Membership might have entailed Japan supporting China’s efforts to supplant it in terms of global influence. However, apart from Japan, most countries gradually downgraded any concerns they held over China’s rise and geopolitical ambitions, and even began to consider the AIIB as a potentially useful vehicle for China’s further integration into the multilateral

\textsuperscript{78} Interviews U4 and U5.  
\textsuperscript{79} Interviews K3, K4, K5, and K9.  
\textsuperscript{80} Interviews K2, K3, and K4.  
\textsuperscript{81} Interviews K3 and K8.  
\textsuperscript{82} Interview K4.  
\textsuperscript{83} Interviews K2, K3, and K4.  
\textsuperscript{84} Interviews K2, K3, K4, and K6.  
\textsuperscript{85} Interview U2.
A high-quality AIIB influenced by many countries was an opportunity to involve China in an institution offering better transparency and standards than those prevalent in China’s own bilateral lending institutions, the China Development Bank and Export-Import Bank. Acceptant of the inevitability of China’s rise, therefore, these countries shifted the focus of their attention to questions about AIIB governance and standards.

Cognizant of both the AIIB’s potential and the shortcomings of the initial Chinese proposals, the debate among advanced economies and the G7 eventually focused on whether it would be preferable to be part of the organization at an early stage and shape it from within, or to stand aside and shape it externally, using their status as potential creditor countries as leverage. The United States, while not opposing the AIIB in principle, vigorously endorsed the latter position in mid-2014, citing a complete lack of clarity about issues such as capital allocation requirements, governance procedures, and environmental standards. Without wanting to destroy a potentially valuable initiative, the United States raised concerns that membership would mean validating a potentially problematic organization. Therefore, it encouraged the other potential creditor countries, and especially the G7 countries, to stand aside, seek greater clarity on the institution, and make use of their potential future membership to influence the bank’s constitution from the outside. This argument was not persuasive for Asian countries, but did resonate with the G7 countries, which took a wait-and-see attitude vis-à-vis the upcoming launch at the APEC summit. However, although there was some diplomatic discouragement, specifically the United States expressing its preference that other countries should not engage with the bank, our research revealed no evidence of any outright US coercion to prevent countries from joining. Indeed, the accounts our interviewees provided did not conform to descriptions in certain media articles of aggressive US lobbying.

Once it had joined negotiations of the AoA in early 2015, New Zealand became a vital hub for information-sharing on what kind of organization the AIIB was about to become, and the extent to which these negotiations addressed the advanced system. A high-quality AIIB influenced by many countries was an opportunity to involve China in an institution offering better transparency and standards than those prevalent in China’s own bilateral lending institutions, the China Development Bank and Export-Import Bank. Acceptant of the inevitability of China’s rise, therefore, these countries shifted the focus of their attention to questions about AIIB governance and standards.

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87 Interviews U3, K4, and K5.
88 Interviews K3 and K4.
89 Interview K3.
90 Interviews U1, K3, and K6.
91 Interview K3.
92 Interviews U2, U5, K1, K4, and K8 used language aimed at denying the existence of threats or coercion from the United States and diminished the significance of US influence on them.
economies’ areas of concern.94 China evidently showed flexibility on how the AIIB should be constructed, allowing controversial issues to be deliberated among prospective founding members. It became clear at this time that the AIIB would to a great extent resemble other MDBs, which increased overall confidence in the institution.95 China even exhibited flexibility on its veto powers in efforts to promote the bank’s establishment.96 Interest in the bank thus mounted among the advanced economies.97

The UK had reportedly expressed its interest among G7 countries in joining the AIIB as early as November 2014,98 and in early 2015, it solidified a different position from that of the United States. Its view was that the constitution of the AIIB was better influenced from within, that concrete internal influence on the relevant issues would be more effective than generic external pressure, and that a more positive approach towards China and the initiative was needed.99 Over time, such arguments were increasingly endorsed by other countries and eventually undermined the US position, making it impossible to forge a consensus on the matter among the G7 countries.100 Once Britain made its move to join the AIIB, the US position became untenable, since the UK’s decision minimised any positive impact delaying membership would have on raising the institution’s quality from the outside.101

In summary, it is evident that considerations of organizational design influenced Western advanced economies’ decision to join the AIIB. External pressure might have had some meaningful influence on the constitution of the AIIB initially, but once progress with regard to governance and standards had been made, membership was necessary in order to influence the AoA’s final constitution.102 This two-step process effectively converged the AIIB’s design with the interests and desires of the Western advanced economies.

The UK’s decision highlights the moment at which the AIIB constituted a huge success for Chinese diplomacy. It enabled China’s demonstration of its ability to assume international leadership by garnering the goodwill of the Western creditor countries that agreed to invest billions in the bank. The Chinese were indeed open to Western countries’ demands in the continuing negotiations through till June 2015 with regard to the text of the AoA.103 The effective convergence of the AIIB’s organizational design reflects the significant agency Western advanced economies had in influencing the constitution of the AIIB, initially from outside the institution and later from within, and the fact that such agency was a key

94 Interviews U2, K2, K4, K6, and K8.
95 Interviews K2 and K4.
96 Interviews U1 and K8.
97 Interview K4.
98 Interview K6.
99 Interviews K1, K2, K3, K6, and K9.
100 Interviews K3 and K6.
101 Interview K1.
102 According to Interview K9, withdrawal would still be possible prior to signing of the AoA should negotiations on the statutes of the AIIB not proceed as expected.
103 Interview K8.
reason why they eventually decided to join the AIIB. This granting of agency, therefore, was a vital step on China’s part in creating a demand for the AIIB among Western advanced economies.

However, there were also countries that did not join, and which continued to favour the US point of view. Most notably, Japan followed its tradition of solidarity with the United States by not participating. For the United States, joining the AIIB was never a viable option, because it was unlikely that Congress would have authorised a capital allocation to a China-led MDB at a time when the United States was negotiating the Trans-Pacific Partnership agreement and struggling with China over other geopolitical differences. In fact, the US Congress had been unwilling in early 2014 even to ratify a capital increase in the IMF.

Contesting Contested Multilateralism

The early days of the AIIB’s creation were characterised by uncertainty with regard to its institutional setup, and speculation as to whether or not it constituted a case of competitive regime creation. Potential membership of this nascent institution was thus restricted to countries that had no problem with either. Indeed, some in Beijing and among the early-movers probably aspired to the AIIB’s becoming a case of competitive regime creation, so as to underline the anachronistic nature of the international financial order. However, any such ambition receded as advanced economies, which were needed as creditor countries, influenced the constitution of the AIIB, first from the outside and later on from within the institution. A step-by-step process effectively reconciled any initial differences with regard to institutional conceptualization and organizational purpose that the AIIB may appear to have had with other development banks. It is such ‘design convergence’—rather than the contested multilateralism proposed in the literature—that serves as a more appropriate explanation for the widespread endorsement of the bank. Although competitive regime creation might have been an initial consideration on the part of a few early-movers, it evaporated after Jin Liqun’s visits to advanced Western economies in the summer of 2014. Contested multilateralism might have been an initial incentive for some in China to form the organization, but it never became a predominant motivation for joining the AIIB. The importance of design convergence, however, is confirmed by the central role influence in the bank played as a goal for joining the AIIB (Tables 4 and 6, column 1). In fact, the AIIB in its final form strongly suits China’s interests, giving it much more international soft power than would have been possible through an institution that challenges the existing international order.

Certain minor aspects are in conformity with the general notion of contested multilateralism. The AIIB has increased the complexity of the global regime of international development finance, structured control and voting rights in favour of weaker states, and, with its focus on infrastructure, created an organization

104 Interview K4.
105 Interview K3.
106 Interview K8.
with a mandate closer to the interests of the initial members.\footnote{107} Yet, contested multinationalism is conceptualized as a situation and strategy wherein a coalition is formed to contest the status quo, as a result of which international accepted rules and practices are being ‘significantly modified’.\footnote{108} Design convergence has prevented this from happening, with any challenge from weaker states collapsing and not amounting to any significant immediate change.\footnote{109} But it is unclear how this will play out in the future, and it has been argued that the AIIB may still transition to a different, less liberal international order.\footnote{110}

The quantitative examinations that we have conducted equally provide little evidence of contested multilateralism having played a major role in determining AIIB founding membership. An examination of overlaps in countries’ membership of the AIIB and other MDBs, shown in \textit{Table 7}, finds that countries tend to be members of many MDBs in parallel, and have welcomed the AIIB into their membership portfolio (see also \textit{Table A} in the \textit{Online Appendix}). Indeed, in its three years of existence, many of its approved infrastructure projects have so far benefited from co-financing from other MDBs (Table \textit{C} in the \textit{Online Appendix}). Governments tend to view such overlaps and labour division among IOs as desirable outcomes.\footnote{111} Examinations of the initial projects that the AIIB has funded since 2015, moreover, conclude that the AIIB is not a norm challenger but an internationally collaborative and inclusive institution.\footnote{112} All this suggests that the AIIB has been integrated into, rather than contesting, the system of MDBs.

\textit{Table 8} presents several regression models of AIIB membership on a group of independent variables frequently used in this context.\footnote{113} We initially

\begin{itemize}
\item All these are indicators of a situation involving contested multilateralism. See Morse and Keohane, ‘Contested Multilateralism’, p. 392.
\item Ibid., pp. 387–8.
\item A possibility explicitly suggested by Morse and Keohane. See \textit{Ibid.}, pp. 388–9.
\end{itemize}
regressed dummy variables for (i) founding membership, (ii) early-mover, and (iii) latecomer countries on relevant country characteristics using a logistic link function. Then we modelled the subscribed shares in the AIIB by each member through ordinary least squares (OLS). Finally, we modelled the number of days it took a country to express its interest in joining after the first country expressed its interest (Figure 1), which is a censored dependent variable modelled through a Tobit specification with a specified upper limit of 308 days. Descriptive statistics for our dataset of 169 countries and a correlation matrix can be found in the Online Appendix Tables D and E.

For the dichotomous dependent variables, we specified the following model, which corresponds to models 1–3 in Table 8, given $\mu = E(Y)$ and a logistic link function:

$$g(\mu)_i = \beta_0 + \beta_1 \text{GDP per capita}_i + \beta_2 \text{Net FDI}_i + \beta_3 \text{FDI stock from China}_i$$
$$+ \beta_4 \text{Shares in World Bank (GDP weighted)}_i + \beta_5 \text{Exports}_i$$
$$+ \beta_6 \text{Distance from Beijing}_i + \beta_7 \text{FTA with China}_i + \beta_8 \text{Net ODA}_i$$
$$+ \beta_9 \text{UNGA vote convergence with US}_i$$
$$+ \beta_{10} \text{UNGA vote convergence with China}_i$$

Models 1–3 have a very good fit, correctly classifying approximately 90% of the observations and exhibiting low results for the Akaike information criterion. 114

<table>
<thead>
<tr>
<th></th>
<th>AIIB</th>
<th>WB</th>
<th>ADB</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIIB</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>WB</td>
<td>0.51*</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>ADB</td>
<td>0.56*</td>
<td>0.38*</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Note: * Denotes statistical significance.

For the dichotomous dependent variables, we specified the following model, which corresponds to models 1–3 in Table 8, given $\mu = E(Y)$ and a logistic link function:

$$g(\mu)_i = \beta_0 + \beta_1 \text{GDP per capita}_i + \beta_2 \text{Net FDI}_i + \beta_3 \text{FDI stock from China}_i$$
$$+ \beta_4 \text{Shares in World Bank (GDP weighted)}_i + \beta_5 \text{Exports}_i$$
$$+ \beta_6 \text{Distance from Beijing}_i + \beta_7 \text{FTA with China}_i + \beta_8 \text{Net ODA}_i$$
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$$+ \beta_{10} \text{UNGA vote convergence with China}_i$$

Models 1–3 have a very good fit, correctly classifying approximately 90% of the observations and exhibiting low results for the Akaike information criterion. 114

114 We have included robustness tests for our models 1–3 using routines specifically designed for cross-validation in logistic models (see Marcel Neunhoeffer and Sebastian Sternberg, ‘How Cross-Validation Can Go Wrong and What to Do About It’, Political Analysis, Vol. 27, No. 1 (2019), pp. 101–6; Ariel Linden, ‘KFOLDCLASS: Stata Module for Generating Classification Statistics of K-fold Cross-Validation for Binary Outcomes’, in Boston College Department of Economics, ed., Statistical Software Components (Boston: Boston College, 2017). For model 4, we performed a LOOCV and a bootstrapped cross validation, (see Benjamin Daniels, ‘CROSSFOLD: Stata Module to Perform K-Fold Cross-validation’, in Boston College Department of Economics, ed., Statistical Software Components (Boston: Boston College, 2012); and we have conducted bootstrap cross-validation for model 5. Overall, the cross-validation analysis of our five models shows that our findings are robust after re-sampling. These routines are available in the replication files, and the tables are available in the Online Appendix.
For the continuous dependent variable (the subscribed shares by each member in the AIIB), we specify the following OLS model:

\[
\log(\text{Subscribed shares to AIIB, weighted by GDP})_i = \beta_0 + \beta_1 \text{GDP per capita}_i + \beta_2 \text{Net FDI}_i + \beta_3 \text{FDI stock from China}_i + \beta_4 \text{Shares in World Bank (GDP weighted)}_i + \beta_5 \text{Exports}_i + \beta_6 \text{Distance from Beijing}_i + \beta_7 \text{FTA with China}_i + \beta_8 \text{Net ODA}_i + \beta_9 \text{UNGA vote convergence with United States}_i + \beta_{10} \text{UNGA vote convergence with China}_i + \epsilon_i
\]

For the censored dependent variable, we specify the following model, corresponding to model 5 in Table 8, where \( y^* \) is a latent variable that is observed for

<table>
<thead>
<tr>
<th>Table 8. Determinants of AIIB Accession</th>
</tr>
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<tbody>
<tr>
<td>Dependent variable: Membership Early movers Latecomers log (% shares) # Days</td>
</tr>
<tr>
<td>Model: Logit Logit Logit OLS Tobit</td>
</tr>
<tr>
<td>GDP per capita 0.118*** 0.0947** 0.0960*** -0.00234 -2.324***</td>
</tr>
<tr>
<td>(0.0342) (0.0288) (0.0255) (0.00304) (0.550)</td>
</tr>
<tr>
<td>Net FDI 0.0119** 0.0200*** 0.0109** 0.00112 -0.247*</td>
</tr>
<tr>
<td>(0.00364) (0.00539) (0.00376) (0.000878) (0.0953)</td>
</tr>
<tr>
<td>FDI stock from China 0.623* -0.345 0.430 0.0449 1.681</td>
</tr>
<tr>
<td>(0.253) (0.191) (0.311) (0.0431) (3.782)</td>
</tr>
<tr>
<td>Shares in World Bank (GDP weighted) 0.608 -0.324 1.227 0.370* -29.31</td>
</tr>
<tr>
<td>(0.862) (0.624) (0.820) (0.183) (20.68)</td>
</tr>
<tr>
<td>Exports 0.00538* -0.00149 0.00480* 0.00193** -0.122</td>
</tr>
<tr>
<td>(0.00235) (0.00334) (0.00245) (0.000610) (0.0757)</td>
</tr>
<tr>
<td>Distance from Beijing -0.732*** -1.078*** -0.540*** -0.0382*** 30.03***</td>
</tr>
<tr>
<td>(0.138) (0.298) (0.168) (0.00998) (3.871)</td>
</tr>
<tr>
<td>FTA with China 4.298*** 1.668 4.130*** 0.350 -46.62*</td>
</tr>
<tr>
<td>(1.053) (1.071) (1.168) (0.233) (19.71)</td>
</tr>
<tr>
<td>Net Official Development Assistance -0.000156 -0.00159 -0.000110 -0.0000751 -0.0000500</td>
</tr>
<tr>
<td>(0.000203) (0.000867) (0.000248) (0.0000591) (0.00848)</td>
</tr>
<tr>
<td>UNGA vote convergence with United States 0.00757 -0.154 0.0128 -0.00441 -3.796*</td>
</tr>
<tr>
<td>(0.0635) (0.113) (0.0617) (0.0102) (1.443)</td>
</tr>
<tr>
<td>UNGA vote convergence with China 0.0523 0.0412 0.0296 -0.00186 -5.110***</td>
</tr>
<tr>
<td>(0.0428) (0.0810) (0.0438) (0.00496) (1.360)</td>
</tr>
<tr>
<td>Constant -1.800 3.991 -2.135 0.599 637.7***</td>
</tr>
<tr>
<td>(4.439) (8.172) (4.241) (0.593) (138.5)</td>
</tr>
<tr>
<td>( \Sigma ) 84.15*** (8.721)</td>
</tr>
<tr>
<td>Observations 169 169 143 169 169</td>
</tr>
<tr>
<td>Adjusted R(^2) 0.458</td>
</tr>
<tr>
<td>Pseudo R(^2) 0.630 0.681 0.595 0.158</td>
</tr>
<tr>
<td>AIC 101.3 68.2 81.5 729</td>
</tr>
<tr>
<td>pCP 0.89 0.96 0.92</td>
</tr>
</tbody>
</table>

Notes: Standard errors clustered by country in parentheses. Statistical significance is expressed as:
*\( p < 0.05 \), **\( p < 0.01 \), ***\( p < 0.001 \).
values smaller than 308 days, and is censored for values larger or equal to 308 days:

\[ y_i^* = \beta_0 + \beta_1 \text{GDP per capita}_i + \beta_2 \text{Net FDI}_i + \beta_3 \text{FDI stock from China}_i + \beta_4 \text{Shares in World Bank (GDP weighted)}_i + \beta_5 \text{Exports}_i + \beta_6 \text{Distance from Beijing}_i + \beta_7 \text{FTA with China}_i + \beta_8 \text{Net ODA}_i + \beta_9 \text{UNGA vote convergence with US}_i + \beta_{10} \text{UNGA vote convergence with China}_i + \epsilon_i \]

Our regression results validate many of our qualitative findings and deepen our understanding of them, including those shown in Tables 4, 5 and 6.\(^{115}\) The most significant result is that countries located geographically closest to China were associated with (early) membership in the AIIB. This confirms our findings of countries in the AIIB region being most inclined to join the organization. We know from Table 5 (first column) that these countries—often with lower incomes—were most likely to join the AIIB to obtain additional financing. Larger capital importers—measured by net foreign direct investment (FDI) and FDI from China—had an association with (early) AIIB membership, which suggests that countries more dependent on foreign capital relished the emergence of an additional financing source. AIIB membership was further associated with GDP per capita, which we interpret as an indication that the poorest countries were not interested in the organization—possibly because many of them, such as those in Africa, were outside the AIIB region, and because the need for hard infrastructure is greatest in middle-income countries, where basic poverty reduction is no longer the main development concern.

Our regression results indicate that countries with larger exports were associated with AIIB membership, as joining the AIIB provided a way for their companies in Asia and beyond to enhance business and export opportunities. Confirming our findings in Table 5 (columns 2 and 3), exports were associated with latecomer countries (model 3), many of which were high-income countries from outside of the AIIB region. The results further confirm the relative unimportance of providing development assistance as a reason for joining the AIIB (Tables 4 and 5, column 5)—this variable was insignificant across all our regressions.

The association of AIIB membership with high levels of FDI received from China, and the existence of an FTA with China, suggests that countries joined the AIIB to cultivate and strengthen an important existing bilateral economic relationship with China. One interviewee from an AIIB founding member confirmed this by saying that China initially raised the AIIB proposal at a bilateral meeting where both sides agreed that, taking into consideration the importance of a pre-existing FTA, founding membership of the AIIB would be desirable.\(^{116}\)

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115 This required triangulating evidence from different data sources in a mixed-method study. For a good discussion of the challenges, see Kern, ‘The Trials and Tribulations of Applied Triangulation’, pp. 166–81.

116 Interview U4.
The FTA variable further suggests that collaboration with China may be associated with latecomer countries (model 3), akin to our findings in Table 6 (column 3).

There is only limited evidence of countries joining the AIIB because they followed China’s lead. Model 5 suggests a positive association between rapid expressions of interest in AIIB membership, and vote convergence with China in the United Nations General Assembly (UNGA). The association of geographic proximity with early-movers could cautiously be interpreted as an indicator of following China’s lead. But vote convergence with the United States shows similar results, which suggests confirmation, overall, of our findings in Tables 4 and 6 (column 4) regarding the relatively lesser importance of this aspect.

All these findings enhance our confidence in the applicability of goal heterogeneity as an explanatory aspect of AIIB membership, as various economic and economic policy considerations, plus regional proximity, were significant across multiple different models. Yet, we find limited evidence of contested multilateralism as a significant reason for membership. Model 4 finds an association between AIIB membership and countries with larger shares in the World Bank’s International Bank for Reconstruction and Development (IBRD), a variable insignificant in the other regressions. This provides additional confirmation of our findings in Tables 4, 6 (column 2) and 7—that countries of all types viewed the AIIB as complementary to other MDBs. If contested multilateralism had been a serious reason for joining the AIIB, we would have expected countries with fewer shares in the IBRD to have an association with membership. That voting behaviour in line with China’s in the UNGA had no association with AIIB membership in most regressions, but some association with members that joined early (model 5), constitutes further evidence that countries which had early announced their participation either supported or were indifferent to the notion of the AIIB as a vehicle for competitive regime creation, and that the participation of countries who rejected such an idea was delayed. In sum, regardless of any initial intentions, once both the early-movers and latecomers had expressed their interest in membership the AIIB did not distance itself from the World Bank-centred order of international development finance, as it had been set up to complement rather than compete with existing MDBs.

**Explanation of AIIB Founding Membership**

Figure 2 summarizes the processes through which countries made their decisions to join the AIIB. The graph illustrates the heterogeneous goals that made countries join the organization. Founding members indeed shared certain general goals and interests, including a belief in the value of the public good that the AIIB offered, and the role of the organization as complementary to other MDBs. But other goals varied significantly by country (region, income, and timing of membership). The countries that joined sought different issue-area functional gains from membership—developing countries wanted funds for infrastructure development, while Western advanced economies eyed various economic
opportunities. Enhancing relations with China also constituted an important political goal that joining the AIIB would achieve, especially for Western advanced economies. Therefore, AIIB membership was conditioned not just by the organization itself, but also secondary considerations with regard to the global political and economic environment. Finally, while most countries sought greater political influence within the AIIB, the nature of this influence also differed according to type of country. Developing countries appreciated the greater power and voting share they would enjoy in the AIIB compared to their status in other MDBs, and Western advanced economies sought the influence to steer the organization in their desired direction while containing China’s powers within it. China played a masterstroke in establishing the AIIB’s goal heterogeneity through offering Western countries economic opportunities, good bilateral relations, and greater influence in the organization. The combined heterogeneity of joint and differential country-specific goals provides an important explanation for why such an exceptionally large number of countries—by now more than the entire membership of the ADB—agreed to join the AIIB.

By contrast with the diversity of goals to be achieved, the costs of participating in the AIIB were limited to a commitment of capital and a few elusive geopolitical concerns with scant, if any, direct implications for national security, especially once concerns about contested multilateralism and organizational design had been mitigated. Any such apprehensions did not appear meaningful in the context of the creation of a development bank with a comparatively small starting capital of US$100 billion. Only China’s predominant global and regional rivals, the United States and Japan, respectively, found joining the AIIB impractical and too much of a stretch.

Theoretically, goal heterogeneity bears a strong resemblance to the concept of preference heterogeneity in the rational choice literature. The notion of preference heterogeneity originates in the idea of variations in consumer tastes, but in other contexts it has referred to broader beliefs and even objectives. These preferences, then, produce individual utility-maximizing choices that collectively result in an overall outcome. It has been suggested in IO theory that preference heterogeneity of Member States within an organization complicates its decision-making, because of variations in interests and beliefs. This is where we believe preference heterogeneity may differ from our concept of goal heterogeneity. Countries joining the AIIB might have had different preferences towards the AIIB as an organization—such as an expectation that it would advance competitive regime creation or, on the contrary, fully incorporate itself into the financial system.

119 Scharpf, Games Real Actors Play.
Fig. 2. Framework Explaining AIIB Accession.

Notes: *Denotes significant difference to reference category adopted from Tables 5 and 6
+ Denotes high overall count (more than 30% in Tables 5 and 6)
Yet, despite possibly different preferences, a way was found whereby many countries joined. This is because each individual country had a set of goals that it believed joining would achieve, with the consequence that the heterogeneity of goals in fact became conducive to, rather than hindering, the outcome of a large AIIB membership. Goal heterogeneity might therefore constitute a related, but not quite an equivalent concept.

The rational choice literature is too complex and widespread to do it full justice at this juncture, and future research will need to explore further its applicability to the context of IO accession. The methodological individualism underpinning rational choice theory, which in international relations views states as individual actors whose choices can collectively create larger social phenomena,\textsuperscript{120} certainly fits well into this context. That states are assumed to be rational or boundedly rational self-interested actors seeking to achieve their individual goals in the international system\textsuperscript{121} can be seen as applicable to our case of AIIB accession. In fact, initially most states were boundedly rational, and possibly unaware of all the goals they hoped to achieve by joining the AIIB, and to reduce such uncertainty they relied on exchanges of information among states and design convergence, which we will discuss next.

Indeed, a focus purely on goal heterogeneity would be too static to fully explain AIIB membership. Other countries likely held similar goals yet did not join, and the particular dynamics over the relevant period 2014–2015 exposed in our reconstruction of events must have influenced the membership decision. The temporal clustering of expressions of interest to join the AIIB in two distinct time periods (Figure 1), and our concrete findings with regard to meetings, coordination, consultations, persuasion, and mimicry of government decisions imply that processes of diffusion among states facilitated governmental decisions to join the AIIB. The insights gained from other countries on the merits of and reasons for participating in this initiative, and the observations of other countries’ actions vis-à-vis membership, supported governments in refining their positions on membership in the organization. This eventually induced many countries to make the decision to join the AIIB.

The literature on international policy diffusion has documented the existence of uncoordinated but interdependent government decisions in many areas of public policy,\textsuperscript{122} including the conclusion of international agreements,\textsuperscript{123} and the formation of international organizations.\textsuperscript{124}

\textsuperscript{120}Kydd, ‘Methodological Individualism and Rational Choice’.


treaties, and the categories from this literature offer insights into the diffusion of short-term one-off decisions to join an IO. Four types of international policy diffusion are distinguished: emulation, learning, competition, and coercion.

Emulation refers to the adoption of socially desirable policies from one country to the next that experts or specialists have recommended, which resembles the ‘expert-theorisation’ about the need for more infrastructure and connectivity financing in Asia that coincided with the establishment of the AIIB (Tables 4 and 5, column 4). ‘Follow-the-leader’ behaviour, which we have observed with regard to China (Tables 4 and 6, column 4), has also been referred to as emulation. Learning refers to the alteration, updating, or change of confidence in policymakers’ specific beliefs as a result of observations of policy intentions or practices in other countries. The many meetings, consultations, and intense exchanges among countries documented in this study are akin to instances of such learning, as they resemble processes of sustained cognitive interaction among states that modified many countries’ beliefs about the conformity of membership in the AIIB with national interests and values. Especially illustrative is the case of New Zealand sharing insights from inside the AIIB, which enabled other Western countries to learn more about the organization and re-assess their positions towards it. Diffusion via competition is also relevant to the AIIB context, as Western countries appeared to compete for China’s goodwill by joining the AIIB, as exemplified by the UK’s early surprise announcement without consulting other countries, which then swiftly followed suit with their own membership announcements.

By spreading discourses on the need for connectivity in Asia, encouraging Western countries to share their beliefs about the AIIB, and presenting itself as an important (future) partner with whom good relations could be strengthened through AIIB membership, China played a role in facilitating these processes of decision diffusion. In sum, decision diffusion was clearly present, but future research needs to ascertain the applicability of the categories from the international policy diffusion literature to the spread of one-off central government decisions to join an IO.

Even as their exchanges assisted countries in refining their positions vis-à-vis membership in the AIIB, many regarded the resolution of questions related to IO design as an important prerequisite for their final decision to join. This was particularly important for Western creditor countries concerned that membership

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125 Simmons et al., ‘Introduction’.

126 Ibid.
would accidentally support a race to the bottom in international standards of lending, and empower an organization in which China would dominate. Only once design convergence was sufficiently advanced, and commitment to high standards convincingly strong, could these countries commit to joining the AIIB. At that moment—around the time the UK announced its membership—design convergence actually became a goal, as countries considered it viable to switch from external pressure to influencing the constitution of the organization from within by joining it. The result was a waterfall effect, whereby many countries consecutively confirmed their intention to join the AIIB.

Rational design theory has provided some insights into the importance of organizational design in the creation of IOs. Acknowledging that, ‘states use diplomacy and conferences to select institutional features to further their individual and collective goals’, it finds organizational design to be a consequence of a bargaining process between states during the formation of an IO whose main aspects include membership, issue scope, centralisation, control, and flexibility. For example, Latin American countries and their diplomatic partnership with the United States had enormous impact on the outcome of negotiations to establish the Bretton Woods Institutions. Accordingly, Western countries’ ability to bargain over the design of the AIIB, especially during the negotiation of its AoA, played an extremely important role in the constitution of the organization. Future research may need to clarify whether the categories offered by the rational design literature—such as issues of scope and control—have been relevant to the AIIB’s AoA negotiations.

Our inductive research of AIIB accession has produced goal heterogeneity, decision diffusion, and design convergence as three categories of relevance in explaining why countries join IOs, and in drawing on the rational choice, international policy diffusion, and rational design literatures we have proposed avenues for further theorisation on the demand-side of IO membership to complement the current, strongly supply-side-focused literature. Yet, we do not suggest that our categories are purely demand-side focused, in the same way that the supply-side literature also considers aspects of demand. Without doubt, countries supplying and demanding an IO do interact with each other, and we have found that the supplier of an IO can influence the demand-side by proactively creating a demand for the organization.

In particular, we observed how China created a demand for the AIIB among Western advanced economies by granting them induced agency in the process of creating the organization and deciding about membership. Western countries’ agency derived from their indispensability to the establishment of a credible

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128 Pevehouse and Borzyskowski, ‘International Organizations in World Politics’.
organization consisting of a heterogeneous group of debtor and creditor country members. They were courted by China during their decision-making process, and were granted much influence in the process of determining the AIIB’s organizational design. Induced agency was hence vital to making Western countries participate in the initiative, because if such agency had not been forthcoming, the goals among the fewer founding members would have remained homogenous, membership decisions would not have diffused among Western advanced economies, and the design would not have converged to accommodate the interests of Western countries.

The importance of such induced agency is even more apparent when considering the membership outcomes of other international initiatives with Chinese leadership or key involvement. Many Western countries have, up until the time of writing, taken a reserved approach towards China’s flagship foreign policy, the BRI. China did not grant Western countries the level of involvement in the BRI they would need to fulfil their individual goals; there is also much dissatisfaction with the BRI’s design, including low standards and debt problems. In other words, no similar induced agency was granted to Western countries in the case of the BRI. Another example is the NDB, wherein the restriction of membership to the BRICS countries minimises the extent of goal heterogeneity that could bring in more creditor countries. The AIIB, therefore, is an insightful case where induced agency was explicitly granted, resulting in the establishment of a credible and durable AIIB, with the membership size and capital contributions necessary for the functioning of a viable MDB. Because a credible, internationally reputed organization was the most desirable outcome for China as the creator and supplier of the organization, the country interacted constructively with the evolving demand for membership in the organization, including the granting of agency to financially powerful countries.

**Concluding Remarks**

Western advanced economies decided to join the AIIB as founding members because, in the process of creating the AIIB, China granted them induced agency. The process whereby they joined the organization was affected by the goals that countries wished to fulfil through participation in the initiative, the mechanisms through which the membership decision diffused among countries, and the prospective design of the organization. The large size of AIIB membership was the result of a high degree of goal heterogeneity, widespread decision diffusion, and the completeness of design convergence.

On May 22, 2015, at the last CNM in Singapore, after several months of intense negotiations among founding members, the AoA of the AIIB were formally adopted.131 This completed the process of design convergence. The final signing ceremony took place on June 29, 2015 in Beijing, and the bank was launched in December 2015. Design convergence has enabled the AIIB to integrate successfully into the existing structures of international development finance, and it has

131 Interview K8.
since collaborated intensively with the other MDBs on project financing. Given the harmonious way the AIIB eventually integrated into the existing system of MDBs, any focus on questions of world order, China’s values-based preferences, and competitive regime creation appears inapposite to explaining the AIIB’s widespread membership. In possession of two well-funded and internationally active national development banks, China does not require an AIIB to finance infrastructure projects abroad. What the AIIB can offer China is enhanced international recognition and soft power, best achieved through an AIIB with a high and diverse membership, and which is integrated into the international rules-based system.

The question of whether the case of the AIIB, and more broadly our analytical framework, can be generalized for other instances of MDB, or even IO accession, remains. The concepts we developed through inductive research might not carry equal weight in the decision to join other organizations. For example, the goals to be fulfilled by joining other non-bank organizations might be more homogenous among countries. There might be a lesser need for international deliberations and consultations if the context of the organization’s establishment is less controversial than has been the case with the AIIB. Additionally, while countries would only join such organizations whose organizational design they can accept, their ability to influence the constitution of an organization will depend on the timing of their decision to participate in it. Design questions were of particular importance when founding members joined the newly created AIIB, given the controversies surrounding its establishment, and the fact that it was still a nascent institution at that time. But in other instances countries might join more mature, less controversial banks or IOs. Finally, induced agency is applicable primarily in the context of an emerging power seeking to involve established status quo powers in the creation of an organization that it proposes to lead. Yet, despite variations in context, we propose that all our concepts should be considered in the analysis of memberships in other newly created organizations.

Future research should advance the conceptualization of goal heterogeneity, decision diffusion, and design convergence. With regard to goal heterogeneity, such research could be more specific in its organization of goal categories, such as shared vs. country-specific goals, IO-relevant vs. tangential goals, and widely applicable vs. issue-area specific functional goals. The potential that rational choice theory offers for a better understanding of this concept could also be further explored. Future research could expand examination and categorization of the different mechanisms of decision diffusion, possibly using the concepts of emulation, learning, competition, and coercion from the literature on international policy diffusion. With regard to design convergence, research could explore in greater detail how countries aim to shape the design of IOs from the outside and from within, and how design considerations affect membership decisions, potentially drawing on rational design theory. Finally, research could attempt to

132 Lichtenstein, A Comparative Guide to the Asian Infrastructure Investment Bank; Chen, ‘China’s Status Deficit and the Debut of the Asian Infrastructure Investment Bank’.
measure the agency that countries have in the establishment of an IO. In sum, there is scope for further development, both conceptually and theoretically, of the demand side of IO membership decisions. The concepts developed in this study might provide a useful starting point for future empirical and theoretical examinations of the IO membership decisions of individual countries.

**Supplementary Data**

Supplementary Data are available at CJIP online.

**Acknowledgements**

We would like to thank Kaeshini Sivananthan, Liu Fanxi, Soledad Araya, Nicolas Muñoz and Andrés Cruz for valuable research assistance and Paul Irwin Crookes, Carsten Schulz and Stefano Palestini for valuable advice. This work was supported by the Vicerrectoría de Investigación de la Pontificia Universidad Católica de Chile, Concurso Inicio 2017, under Grant I1706/2017, Fondecyt Iniciación “The International Politics of China’s Rising Role in Financing Infrastructure”, under grant 11180081, and the King’s College London KURF funds.