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OPERATIONS, INFORMATION & TECHNOLOGY | RESEARCH ARTICLE

The rationale of European countries engage in AIIB

Bora Ly *

Abstract: Contribution of China to the world through critical initiatives is astonishing. The AIIB was initiated for the primary purpose of Asian infrastructure financing. Since the negotiations, AIIB has been competent to convince many countries to be founding participants. This kind of success has not merely occurred in Asia but also expanded west to persuade many European countries to participate in this initiative. The objective of this article is to examine the elements that may impact the decisions of these nations. Socialization theory has utilized for indeed analyzing the problems. Hence, this paper seeks to introduce the different strategies of China, challengers, and AIIB. Also, the qualitative and quantitative factors that could inevitably perform an essential function in the decision-making course of European countries have been elaborated.

Subjects: Asian Studies; International Politics; Asian Politics; European Politics; Government; Political Economy

Keywords: European countries; Chinese foreign policy; socialization; MDB; AIIB

1. Introduction

Over the years, China's foreign policy has shifted into a more open up and dynamic role over the global stage. As complying together with the World Trade Organization (WTO) in 2001, the growing number of involvements in international organizations in China is noticeable. The global financial system is being shaped by the rise of China. However, the rising Chinese economic power and global impact do not make these institutions more relevant. China and many developing countries have spent years trying to propose institutional reforms designed under the Bretton Woods

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PUBLIC INTEREST STATEMENT

China and other developing nations have spent years attempting to implement structural changes under the Bretton Woods system. For instance, the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) had been formed instantaneously. It has recently been developed, it is revolutionary in its nature and its ramifications and has finally triggered unexpected reactions from several nations. The AIIB has been competent to convince many nations to be founding participants. This kind of success has not only taken place in Asia, but also extended to the West to persuade many European countries to take part in this initiative. These reactions while offering a thorough overview of the Bank that is currently inaccessible elsewhere.

system. This effort to transform the structure failed, which made the United States (US) and its allies as a valuable player. Thus, China and emerging nations have begun endorsing the new bodies. For instance, the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB) had been formed instantaneously. However, NDB remains an establishment that realizes only five nations as founders and affiliates, and AIIB is successfully participating in non-regional countries. Presently, 57 founding members and many other countries expressed interest in participation. Also, there are many European countries among these prospective members. When AIIB first started, no one expected such success.

The initiative was highly criticized by the US, which urged its allies not to join it. Though, many European countries have also joined the bank since the UK first adhered to the AIIB. It is hard to analyze all the aspects that influence the choice to participate with AIIB by western countries. Thus, the study seeks to uncover critical factors that explain many elements based on the socialization theory. The focus of this article is to understand the choice of European countries to participate in AIIB and also analyze the Bank's political and financial consequences, potential impacts on a historical and international perspective. Thus, why European countries engage in AIIB?

2. The AIIB: socialization theory

To respond appropriately to the question, the theory of socialization and its use in international relations (IR) are utilized for this consideration. Scholars have used socialization theory to analyze individual as well as nation-state level. Socialization theory is a question in related fields in various social sciences. The theory begins with sociology and social psychology and forms identity within groups and adherence to group norms (Cialdini, 1987; Napier & Gershenfeld, 1973; Turner et al., 1987), and also a fundamental concept in research such as linguistics (Schieffelin, 1986). Socialization theory is part of the central theme of the theory of IR today, for instance, forming and changing preferences, forming national identity, diffusion, compliance to global norms, and the impact of global organizations (Johnston, 2001). The variety of social sciences that use and analyze socialization theory can make it challenging to recognize particular meanings for the IR context. Different perceptions of the subject can result in many practices of socialization theory. It can be explained for the behavior of novices and the behavior of members of society in international relations. In the context of this study, both of these perspectives may be useful. The theory of socialization is well suited to understand both China's (newcomers) and Western's perception (social members) of the new Bank. According to Johnston (2001), the theory of socialization viewpoint from China is the approach of social intercourse drives newcomers to think, feel, and perform. Thus, for this perception, socialization theory aims to create members in a society that cares about social and interpersonal awareness (Johnston, 2001). Nevertheless, why does one decide to pursue a certain social behavior? There are various responses, many of which are the focal point of China's actions, notably protecting or enhancing its reputation within the international community.

Reputation is an essential concept in many areas of IR. In a nutshell, the desire to establish a trustworthy reputation for future exchanges can be an incentive to engage in norm-conforming, pro-social behavior (Kreps, 1992). It may be difficult for a new country, specifically China, to play an important international role to earn a good reputation. First, with the final goal of not seeking hegemony, China is getting out of the usual theories of power. According to Nabers (2010) posited hegemony as a "discursive political struggle between political actors over the assertion of their particular representation of the world as having a universal significance," and contends that "hegemony is indispensable for the exercise of leadership, for it circumscribes the domain of intelligibility in which leadership processes occur" (p. 940). Charles Kindleberger, one of the representatives of Hegemonic Stability Theory, who supported the concept hegemony leadership, referred to hegemonic leadership as a sense in which the leader, or hegemon, is capable of "persuading others to follow a given course of action which might not be in the follower's short-run interests if it were truly independent" (Kindleberger, 1981, p. 243). Hegemony, according to

Keohane (1984), “is defined as a situation in which one state is powerful enough to maintain the essential rules governing interstate relations and willing to do so” (p. 34). Secondly, China’s reputation for several reasons is not good. As a result, to improve its global reputation, China is pushing a series of legal and socially recognized initiatives through AIIB. The institution is aimed not only at facilitating development but also at operations with great attention to the environment, efficiency, and mutual acceptance. AIIB may be evidence to skeptics that, as being a novice, China can understand and use the principles legally recognized by the international community.

Alternatively, another view of the theory of socialization can help explain the western country’s choice for participating in AIIB. Some scholars who focus primarily on the constructivist approach, socialization theory can shape the country’s preferences (see eg., Bayne & Woolcock, 2011; Weins, 2016). At the heart of constructivism is the claim that organizations form the attitude of member states through macro-processes, which are often defined as global socialization in the social context of intergovernmental organizations that maintain regular and consistent approaches and maintain new identities and concerns (Johnston, 2001). Thus, institutions can have the most significant impact on unit-level practices by ultimately shaping national interests (Bearce & Bondanella, 2007).

Before continuing to discuss the Western perspective, it is necessary to discuss some relevant information, describe the political circumstances and opportunities within China’s foreign coverage framework. Because of China’s rising power, the government has developed new ways to find relationships not only in Asia but also elsewhere. Also, the “Chinese dream” as envisioned and elaborated by President Xi began with a more local and global idea than the national perspective (Zha, 2015). As economic growth slowed down due to new economic and geopolitical issues, China implemented a new strategy to be sure that rational and safe development is achieved. Since its inception, the Chinese administration has always used the term “Chinese Dream” as a public commitment to the ongoing improvement of opulence (Zha, 2015). The concept of such expansion is not only linked to China but can also extend to neighboring countries. China desires to push for developing the region for certain reasons, such as (1) consistency to the notion of a “harmonious world” (Hu, 2005), (2) promoting soundness in the global arena (Daokui, 2015), and (3) enhancing the significance of economics and geopolitics in the Asia-Pacific region. Subsequently, the policies were hypothesized, and the MDB and AIIB were established.

3. Methodology

The study is employed in mixed methods because the problem is involved. It is necessary to use quantitative and qualitative approaches. Also, descriptive and analytical procedures are utilized to figure out Chinese foreign affairs and the new MDBs. An additional, relatively method is applied to weigh organizations. Finally, a more quantitative approach, as well as data analysis and survey observations from to validate the various hypotheses, are utilized.

4. The AIIB strategic position: new normal and outward strategy

China has been developing rapidly for many years. Recently, its economy has started to slow down, although maintaining a high level of growth. Chinese economic growth has brought new phases and prosperity to people in terms of countrywide development. The distribution of this welfare has become an essential part of China’s leadership policy. Not necessarily astonishing that Chinese administration always used the terms of “a better world, Chinese dream, harmony, and new normal.” These remarks review the overall belief of management. There is a new stimulus intended for China which its concerns are not driving numerical growth goals as a driving force behind governance (Zha, 2015). Even when used repeatedly in leadership, these representations are not determined.

Nevertheless, they insist that the new policy should be centered not only on growth but also on prosperity. These words should not only be focused on national policy but should also be viewed as plans for the development and the relationship between China and the world (Zha, 2015).

Indeed, China has become a major active player in the Asia-Pacific development program, such as Belt and Road Initiative (BRI) and AIIB. It may tackle a range of objectives with this particular zone, including (1) the need for credit to improve global reputation through the establishment of a bilateral investment treaty (BIT) with a small economy that is not important to the Chinese economy, which is a sign of a harmonious and better world, and (2) the powerful and developed Asia Pacific region will also strengthen China's influence globally, tolerating China to tackle the challenges of another global actor like the US.

There are some internal matters which China is challenging both inside and outside policies. The need to form a new approach to succeed in economic issues is the new normal to see China's economy and development. Overcapacity is the most China's economy challenging today, which referred to as the excess supply. According to the World Steel Association (2015), for example, steel production is more than double the world's four largest producers (India, Japan, Russia, and the US). According to Bloomberg (2015), 60 percent of China's production of aluminum experiences a shortfall cash flow. Also, China manufactured the most substantial amount of cement during the entire 20th century in the year 2011 and 2012 based on the United States Geological Survey and the National Bureau of Statistics of China figure.

Moreover, rural area issues are also a critical challenge of reaching full development. Because of extensive territory, and the growth of the economy did not redistribute development and welfare equally among its territory. The Chinese administrations are fully informed and ready to take action to support more equitable development within the country. Guidelines for promoting cross-border corporate reform and inter-regional development harmonization are just a small example of the many actions the government will take to stabilize the economic situation over the next five years. Thus, various strategy initiatives are expected to have a robust domestic implication which has a close link between local issues and external actions.

The Chinese government has implemented the "going out" strategy to push Chinese firms to invest overseas through foreign direct investment (FDI). The BRI and AIIB initiatives will help China find new impetus for growth and achieve economic and diplomatic strategic goals (Cai, 2018).

The AIIB was officially launched on 16 January 2016. By the end of the fiscal year of 2019, there were already 102 approved members, a surge from the 57 founding members at the start of 2016 (Asian Infrastructure Investment Bank [AIIB], 2020). AIIB aims to create more promising prospects for billions of global citizens by investing in Asia and other sustainable infrastructures. Based on the experience of successful companies in the private sector and their understanding of multilateral development financial institutions around the world, as stated on the AIIB official website. Its formalized structure is the same as the World Bank (WB) and Asian Development Bank (ADB), which are recognized as a multinational investment bank with the standard of international financial institutions (IFIs) legal framework. It was identified through treaty-based and established the legislative principle for the operation called AoA (Articles of Agreements). The IFIs and consequently, Multilateral Development Banks (MDBs) are intergovernmental organizations (IGOs). So, it should certainly not be confused with NDB, a state bank that aims to promote development at its border. Recently, they have begun to support and fund global initiatives of national actors (Spratt & Barone, 2015). MDBs, on the other hand, are international organizations that aim to finance the state agencies for fostering particular developments.

Regarding AIIB, it will offer financial resources to develop the infrastructure of ASEAN nations as needed. The bank needs to promote its development on a modus operandi lean, clean, and greenway. Banks continue to rely on conclusions drawn by existing MDBs working in their regions and are not inclined to be opponents. The ultimate domain of AIIB is to foster development in certain regions, Asia. However, AIIB should not be regarded as simple regional institutions, as many countries outside Asia, that is, many European countries, have participated in this project. According to articles chapter II, article 4 of the agreement, the AIIB is designed to hold approved ownership of 100 USD,000,000,000, which is separated into shares owned by the member states;

stocks are not evenly distributed. Thus, given the difference between regional and non-regional members, they are provided a complex proportional distribution system.

Also, other corresponding banks are working in the development sector inside the same area, such as ADB. Incidentally, these institutions were based on international regulations that emerged after the Second World War. These organizations do not offer enough decisions on developing nations, which often creates an environment characterized by similar players. According to China and its co-founders, the AIIB should not act to compete with these organizations, but rather to work where the effectiveness of existing institutions is lacking. Once again, it is formed on the notion of “Harmonious World,” now influencing China’s foreign policy.

Although the AIIB is vital for the Chinese economy as well as its geopolitical impact in the region and around the world, the economy is highly subject to the safety of the supply chain, which implies it needs international trust and support (Zha, 2015). As Roy (2020) contends, “Beijing will be unable to establish a Chinese hegemony over the region” (p. 101). However, it understands the importance of and essential role in achieving a reasonably created global environment. It is precisely that what it can be revered as a passage to the world “Chinese dreams.”

5. The AIIB and BRI

Various foreign policies could force China to push the new Development Bank. However, in terms of barely economic benefits, one thing seems to be the occurrence of BRI. Besides, the government can solve and overcome the industrial overcapacity issues, which has impacted many industries by expanding external markets. One more inspiration for starting AIIB is that “China also seeks to influence the emerging structure of regional trade and investment relations” (Weiss, 2017, p. 5). Now it is simple to merge the two initiatives and understand how they interact. The BRI initiative focuses on building a network of international trade routes connecting Eurasia and Africa through various infrastructure projects supported by China. Infrastructure development under BRI serves as a gateway for cross-border exchanges and communications.

Consequently, China must achieve some crucial goals for the proper implementation of the project. Among these objectives, stability and the development of regional infrastructures are essential. Besides, the AIIB brings both of these features precisely to the region. It is realized how the first two articles in the bank contract clause use several terms which can be found in Chinese official speeches, including “sustainable economic development,” “infrastructure connectivity” “regional cooperation” - according to AoA of AIIB - it is often found in Chinese foreign policy. There is also an acknowledgment of “harmonious economic growth” which is a statement that China mostly exerts in its internal strategies (Hu, 2005). In these terms, it can be seen that China’s propensity to promote new sustainable and cooperative development not only at the border but also between areas of interest. The AIIB’s job is to present neutral organizations for enabling the country to strengthen its economic and infrastructure tools.

Nevertheless, the formation of the AIIB explains that China’s conception of the initial possible international order is based on the development of interdependence, cooperation, and equality. Also, BRI is passionate because it not only needs to connect the two boundaries of the Eurasian continent but also needs a significant degree of incorporation to the region which has not yet established. The adjustment of integration at the international level is often attained in place of hegemonic powers such as the United States (Oatley, 2012). Since China is a significant player on the Asian continent, the necessary integration is estimated to come from China’s own constrain.

It has been claimed that BRI and the AIIB are closely related, in which BRI is a goal-oriented endeavor to connect China and Europe by two paths, land and sea. Therefore, the desires cannot be attained at a faster rate than multilateralism. China needs to figure out how to provide a budget and cooperative environment to achieve the desired results.

6. How the AIIB functioning

The legal framework of the Bank is one of the joint International Financial Institutions (IFIs). This convention was established through international agreements and is referred to as “Articles of Agreements” (AIIB, 2015). The outlook of the organization is primarily to promote sustainable economic development in Asia and “promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions” (AIIB, 2015). These phrases indicate that the Bank will certainly not be solely an international financial institution. Thus, promoting development and promoting institutional cooperation is expected to have directly affected in the area of integration.

AIIB’s governance structure consists of the Board of Governors, the Board of Directors, and the Senior Executive Board, which the Board of Governors considers the highest authority in decision-making (AIIB, 2015). Two governors (a governor, and an alternative one) are appointed to represent each member state. Many of the functions are performed in admitting and suspending members by changes to the terms of presidential elections and agreements, or changes to board directors. The body stated has to meet at least once a year and are nonresidents, so the board and governor can make decisions in their home country. The board of governors is accountable for creating significant bank policies and approving annual plans, strategies, and budgets according to AoA of AIIB Article 16 (AIIB, 2015). As illustrated, Figure 1 displays the arrangement of the AIIB supervisory committee and the total vote share for a separate electorate. Unless otherwise stipulated in the AIIB Agreement, voting by a majority of the Board of Directors shall be held. China has 28% voting rights. There is a substantial difference in voting rights among China and other shareholders. Mainly because China will have more than one-fourth of the vote, it will efficiently veto such decisions.

Similarly, the US vetoed major governance decisions at WB, IMF, and Inter-American Development. Since China has proposed the AIIB and its main shareowner, it will unsurprisingly possess a political impact on AIIB. The US accounted for 15.85% in the WB and 17.4% in the IMF of voting after reform; however, China ranked third in both organizations by raising voting rights to 4.42% and 6.394% at the WB and IMF accordingly (see Figure 2). Also, China has a majority vote at the AIIB Board of Directors. Because several projects permitted by the banks can affect social issues, AIIB has accepted the Project-Affected People’s Mechanism (PPM) following different MDBs. The inspection team by the

Figure 1. AIIB board of directors.

Source: AIIB, CRS

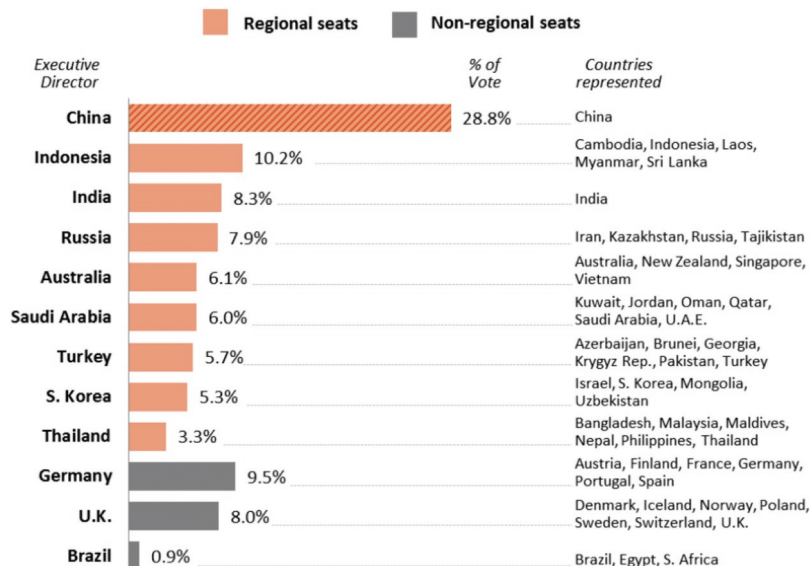
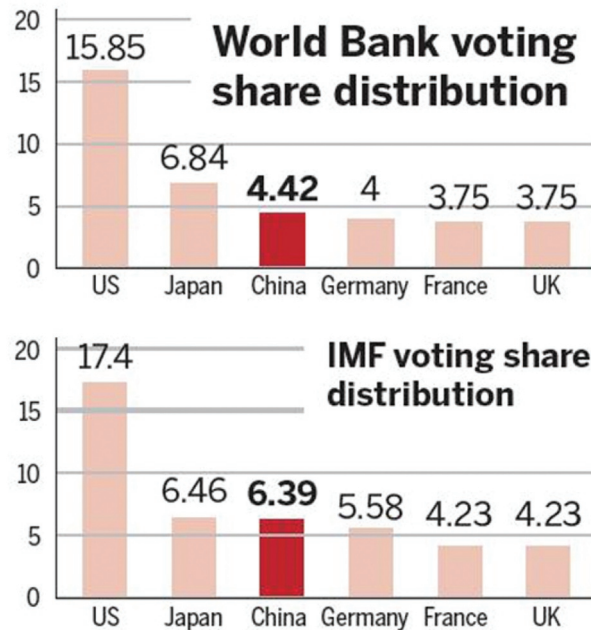


Figure 2. World Bank and IMF voting proportion.

Source: ChinaDaily, 2017



Independent Accountability Mechanism (IAM) in 1993. The idea did not come from blue but did not adequately consider the impact of many significant investments on the community, such as the Sardar Sarovar dam in India.

Thus, IAM is an invaluable tool to convey the voice of people who can be harmed to express concern about the feasibility of a project that pays attention to environmental and social issues. To meet international best practices along the path of the WB, AIIB adopted PPM in December 2018 (AIIB, 2018). It will be effective from 31 March 2019. Nevertheless, a downward circling risk is in progress. The environmental and social framework (ESF) of the WB, which took effect in October 2018, is similar in many respects to the ESF of AIIB.

Moreover, since AIIB is based on the Chinese Bank's "no strings attached" lending options, there is also the possibility of a downward requirement for good governance and an environment that is likely to stop World Bank lending to customers (Horta, 2019). For example, India has decided to join AIIB, especially for this policy. Whether AIIB can improve sustainability in Asia is another big question. According to the official document posted on the ESF, the China-led banks are strengthening existing sustainability norms, and President Jin Liqun has always talked about the solid ethical values which are transparency, integrity, sustainable development, and accountability (AIIB, 2016). The concept of sustainability, with the support of the board of directors, is a crucial principle highlighted in the contract clause. ESF is tied to one of the existing MDBs, and AIIB is firmly established as a current financial institution while improving its sustainability standards. Also, it is related to China's interest in enhancing legitimacy and status not only in the Asia-Pacific region but also in the rest of the world. China's pledge to infrastructure expansion supplements further MDBs, and it is not seen as an opposition. Indeed, it leads to a state of diversity in competition, but it is based on the right match, and in the best case, can lead to new and innovative policies within the framework of developed countries.

AIIB is likely to be a long-term development advocate, and the international community should welcome it. Besides, the Bank presents new opportunities for exchanging knowledge and offering new global products between developed and emerging countries. Again, AIIB as an institution has

consistently supported the UN 2030 Sustainability Agenda. Moreover, China is drawing attention as a soft power tool through economic diplomacy to develop good diplomacy (Hanlon, 2017).

The AIIB mortgage preference typical is different from the World Bank and has been come under criticism. The World Bank and AIIB use the source principles to evaluate projects that are funded, but AIIB has different criteria for evaluation. The World Bank has more rules for loan-taking nations, so AIIB is supportive. AIIB funded the project; however, the quality from the project offered did not adhere to high standards. Thus, to counter criticism, AIIB worked with seven other MDBs, including the World Bank, EIB, EBRD, ADB, and the Inter-American Development Bank, to develop new provisions and procedures for financial and economic appraisal of loan requests. On 25 March 2019, the Multilateral Cooperation Center for Development Finance will be announced, enabling in-depth cost-benefit analysis to provide higher quality projects by improving transparency and setting higher standards. As discussed, the critical objective of AIIB is to fund infrastructure projects, but not to support the project entirely, however, to encourage private investment. They are merely using sound economic ideas, such as diversifying their investment portfolios or attracting private equity (Zhang, 2019).

Also, AIIB recently launched S&P and Moody's triple-A grade bonds on the market to encourage infrastructure investment. Issued 9 May 2019, the bond is a significant achievement of the Bank, emphasizing its commitment to greater transparency and accountability. According to the news, the "AIIB is committed to best practices and modern risk management; and it has implemented an economic capital and stress test policy framework to manage its capital." (AIIB, 2019). The bonds can be the same attachment rating for US Treasury and World Bank bonds. It is a start-up and also a milestone for the Bank, given that it is still not well known around the world. It shows how they work within international standards and make themselves legitimate. Their long-term impact is unknown, but in the short term, we can see that AIIB contributed positively to the global financial stage.

The way AIIB can improve and change its financial architecture remains too early to predict. For example, the World Bank shifted its Bretton Woods order in 40 years. Only in the 1980 s did changes occur after the order of reconstruction, and in fact, the World Bank focused on reducing poverty.

7. Financial and political dimension of AIIB

Establishing a new organization in the existing system of international is demanding. Thus, AIIB itself is a challenge. To show that it can be a productive and thriving body, it needs to seek international consensus-building. Taking a look at the initial phases of this organization, it appears to have reached this competition. This institution has received affirmative responses from regional and non-regional nations as well as emerging and developed states. Even though China has successfully opened Bank and developed alliances outside Asia (Magnier, 2015), numerous difficulties remain on Chinese outlook.

Nevertheless, numerous viewers will carefully examine the Bank's activities after banking begins. Developing economies, as well as China, have long criticized that plenty of transnational organizations (e.g., World Bank) have not granted fair and equal rights to all member states. They are also criticized for working on slow and ineffective actions and eventually deal with complaints because the loan request takes a long time (Chin, 2016). Supported by other BRICS countries, China has made many efforts to renovate and improve within these organizations. Due to this action, China insisted that it could propose a global style of right style. In the previous discussion, China said it is developing ideas for an international system where hegemony is invisible. For decades, the US has been the world's most significant power, which has influenced the arrangement and power balance of transnational organizations. China explores a system based on mutual respect; if all countries have the right to achieve "core interests," as President Xi states, China would "never seek [...] hegemony," and it also contributions towards a "shared future for mankind" (BBC, 2018).

Since China's inception of AIIB, this new agency has to demonstrate that it is consistent with the ideas that China has expressed for years in international systems (Daokui, 2015). In the earlier discussion, the governance framework of the AIIB and outlined the innovations of having a nonresident panel have been illustrated. It can be seen that the annual cost of the resident council of the director of the World Bank is approximately 70 USD million. Though, resident boards are not only costly but also bring more management layers, slowing down procedures and resulting in overall inefficiencies for bank operations (Chin, 2016).

Another administrative distinction among AIIB and ADB, IMF, and WB lies in the presidium. The governor of ADB has always been Japanese, IMF's European, and WB's American, which provoked controversy about the fairness and transparency for the process of selecting (merit vs. nationality) as well as the leadership honesty in the performance of obligations (Chin, 2016). Currently, the AIIB president is Jin Linqun, but some observers believe it makes sense to elect Chinese as the first leader (Chin, 2016). Finally, China is a principal organizer and primary funder of the institution.

When analyzing the provisions of the agreement, it was found that a particular result had to be approved by a majority (AIIB, 2015); thus, the de facto veto is the main challenge for China. A majority vote of more than 75% can only veto the veto in non-regional countries (25% of total shares), and China (more than 30% of total shares) can have a significant influence on the results. Perhaps the veto of China may have daunted enough to prevent many countries from subscribing to this agency. In particular, European countries may have feared China's excessive influence. However, Michael Clauss, Germany's ambassador to China, said any veto rights, as concerns possibly, go against Chinese interests (Wang et al., 2015). It can be right. The AIIB aims to demonstrate another approach to managing international institutions is feasible. It will be a big challenge for China if it plays the same role as the US in its predecessor. The bank president will not control or politicize decisions and actions, he said (Izumi & Kumar, 2015). The Foreign Minister stressed that China's objective is to build on more transparency and inclusive, as well as to attain global development, which is the basic premise. Also, the founders of the Bank have to confirm that it attaches to precise on anti-corruption procedures, "clean governance" with a "zero tolerance" attitude (Chin, 2016).

One more major obstacle for the Bank is to satisfy the sustainability and the setting specifications of existing organizations. The WB has introduced regulations and restrictions on mortgage associated with a significant impact on environmental developments. For example, the WB has only begun lending for coal-fired energy plans in rare circumstances since 2013. These decisions may be beneficial to developed countries, but often represent barriers to emerging economies such as India. The Indian authorities have almost entirely condemned the conclusion that such a constraint would not require a country to have the most power at the cheapest and fastest rates. India, which currently owns the major coal mine across the world and uses this material to make up three-fifths of its electricity supply, is seeking 100 billion USD loans from the AIIB for coal-fired plans (Chin, 2016). A variety of nations see this as an indication that the AIIB will complement existing financial bodies, while some suggest that the Bank will not address environmental and social impacts.

8. Non-regional members

Regional Development Banks (RDBs) generally aim to promote development in specific regions. However, numerous non-regional affiliates participate the organizations as financial supporters of banking transactions. An interesting question is why non-regional countries join in the RDB. Several responses can be given. It may be because significant RDBs are subject to the activities of the UN or other major transnational establishments so that affiliates are often highly invited to participate in upholding integrated with the organizations themselves. Otherwise, it perhaps developed nations are not directly related to economic profitability but are interested in developing emerging countries (Babb, 2009). The most valid explanation appears to be that non-regional countries have decided to adhere to RDBs based on their dogmatic selections, but it may differ from one to another. In the last section, these reasons and options are discussed in more detail, such as their relationship with

European countries and AIIB. However, it can still see the differences from legitimate RDBs when it comes to AIIB. The AIIB recommends working with multilateral institutions and development agencies. However, it does not reveal any duty relationship with these organizations.

Also, the Bank has seen long absences in its member states, the US. The US encouraged the establishment of most institutions since the Second World War, and after its establishment, it has always been a significant player. China is a crucial player for AIIB. China adopts the legal concept of prevailing organizations to develop its new model of global collaboration. Thus, non-regional countries, including Brazil and South Africa, have participated with AIIB. BRICS (Brazil, Russia, India, China, and South Africa) nations are emerging economies next to each other to create unique blocks. BRICS has launched a new development bank in its MDB concurrently with the opening of AIIB.

9. Socialized behavior

The political and financial impacts analyzed in the previous section make it challenging to understand why European countries participated in AIIB. First, the new Bank serves as one more phase in global governance reform, and the United States, formerly allied with western states, appears to be opposed. Second, it has left China with a 30% stake and voting rights, preventing non-regional countries from playing an essential role in the institutional framework. Third, bank financing requests are not large, but it can still take risks and touch national accounts. It is fascinating to compare the involvement of nations in the investigation of other international organizations for a better understanding of this issue. Thus, many explanatory variables must be considered for analyzing the behavior of a country is very difficult, and to see what is worth investigating. The Institutions included in the dataset are mainly three types: financial institutions, institutions that promote integration and collective actions possible on the global arena, and institutions that encourage security collaboration. It was selected due to three key points that could touch social behavior: finance, collaboration, and security.

As mentioned at the beginning, this article is based on the theory of socialization, and several concepts must be defined and organized to verify it. The method of socialization confirms that institutions can influence the behavior and preferences of members, changing the general basis and behaviors adopted in society. Considering this statement as an analytical case, can members of AIIB similar cause European countries to join the new Bank? The set of data aggregates the available information about membership in different IOs for responding this issue.

To understand the choice of European countries to participate in AIIB, it firstly needs to understand their general attitudes to similar organizations. The datasets generated to attempt to compile the involvement of these nations in different transnational institutions. The organization considered could be a financial institution or international organization similar to AIIB, with the description of ordinary political conduct. Non-financial organizations shall take into account, including the EU, ASEAN, OECD, and NATO. Then, MBDs was taken into account, excluding AIIB, such as ADB, WB, EBRD, and the African Development Bank (AfDB).

As a result, there was a limitation of the relationship after an initial analyzing non-financial organization with AIIB. Non-financial institutions, including the UE, will provide insights into the development possibilities of the latest organization. Though it is difficult to pinpoint precisely how being a member of AIIB, and other institutions have affected the state in diagnostic actions. The patterns that arise from comparing membership in these institutions with those in AIIB are scattered, there is no obvious way, and are usually not relevant. Alternatively, to compare AIIB directly with its competitors will improve the outcomes.

The next table depicts the three-body members, depending on the affiliation and non-affiliation attitude of countries. As shown in Table 1, about 80% of countries have the same status in three organizations, while only 20% change their preferences based on the specific organization.

Table 1. Affiliation of AIIB, ADB, and AfDB

	AIIB + ADB	AIIB + AfDB	AIIB + AfDB + ADB
Identical status	29	29	28
	83%	83%	80%
Different status	6	6	7
	17%	17%	20%

Source: Author

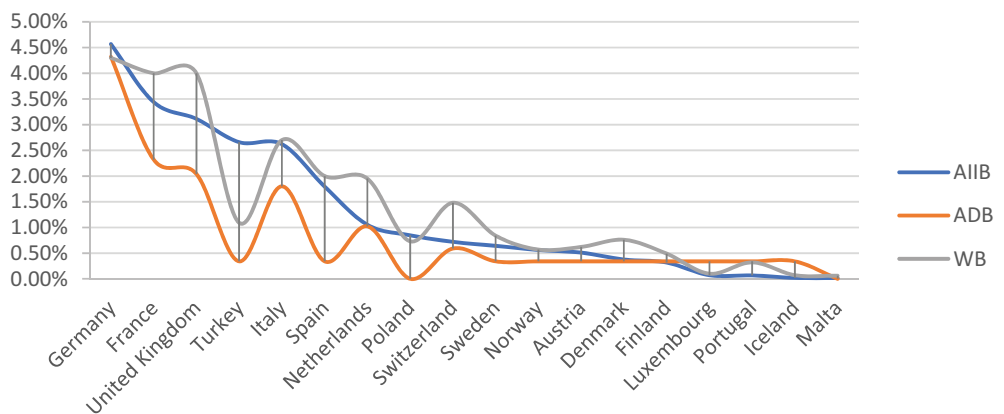
In a nutshell, ADB and AfDB members also joined AIIB, while the countries which are not members of the two previous organizations still not part of AIIB. This outcome appears to be favorable to the socialization theory. Suppose there are two groups/societies (A & B), which A is populated by MDB member states, and B is filled by nations outside the organization, the choice of these countries will be foreseeable. Hence, it can be expected that the members of group A will consider participation in the MDBs as a sound choice and act in conformity with this perception. Alternatively, the members of group B are not affected by other MDBs members, their attitudes toward these institutions are generally indifferent, and the new Bank untouched their previous options. In a nutshell, these two classifications define two distinct societies, and member states still maintain a typical attitude toward new establishments.

Further analysis of group A it can be seen that similarity extends to the quality the membership, not limited to the status of affiliation. Hence, as illustrated in Figure 3, synthesized as part of the whole dataset. It shows the shareholding ratios of major European countries in AIIB, ADB, and WB. It can be understood that the number of shares acquired by every single institution is not significantly different; the percentage held in AIIB is not substantially different from those of the ADB or WB.

It is only the WB, where AIIB stocks exceed the ADB. In general, the percent of shares attained in AIIB is among the shares acquired by the other two organizations. Some might claim because the institution used a similar approach for distribution. However, the ADB and the WB spend much time, and numerous new members have participated. Because the members of the previous institution are larger than AIIB, it can be seen as an extremely different distribution from the existing organizations. Alternatively, many countries with many different share proportions in these organizations are disregarded because they are non-members or regional of AIIB. Furthermore, although the circulation is the same, western nations are about to acquire a different amount than the one specified in the contractual clause.

Figure 3. Percentage share by country.

Source: Author



10. Alternative standpoints

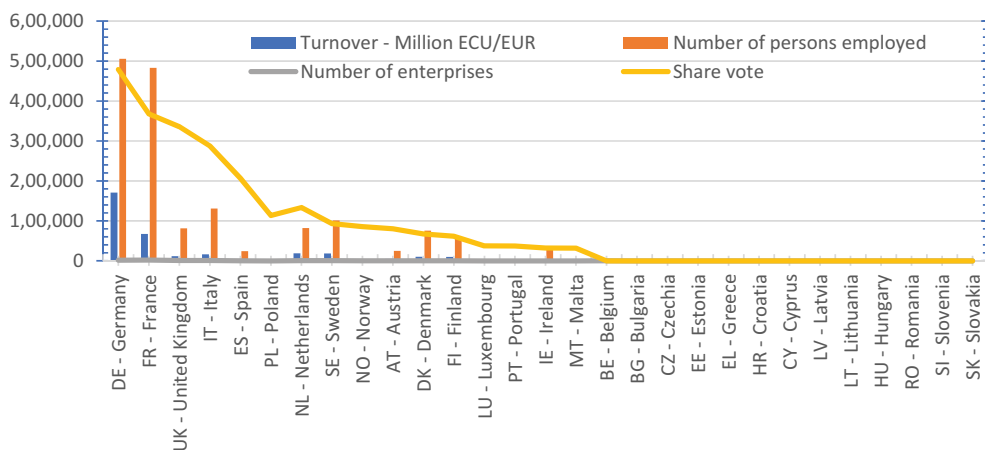
As often happens, only one element may not be enough to explain the assumption. Some variables are not included in the theory of socialization. Which of them is fascinating to break down? In general, relations between China and other countries put tension on economic ties. In this case, it is interesting to see how economic incentives play a role. Identifying economic benefits is not easy and may require a completely different study. Though, to provide this work with a broader conclusion, other small datasets were created, including 29 countries in Europe (28 European countries and Norway, for example, industry, construction, and services (except public administration, defense, compulsory social security) was selected as sample). The smaller dataset is provided on the Eurostat website in all these countries, which allows for more efficient and faster analysis. This new dataset lists the states, taking into account the number of shares that are voting rights held by each state. Nonmember countries set a value of zero in this dataset. Economic data has been added to the list that can provide an essence of the economic interests of these nations with China. Three indicators were taken into account: ECU/EUR turnover, the number of people working in China, and the number of firms operating in China. Scattering data in the graphs, it appears that there are some relationships between the different parameters (see Figure 4).

Either proportionate shares are classifying in most significant to smallest or variables are also declining. A small amount of economic activity or interest in China seems to correspond to a minor stock acquired. Nevertheless, interpreting the conclusions of this illustration can be misunderstood. One needs to recall how portions are dispersed in the AIIB. The share is given according to the proportion of global GDP is owned by individual countries. In a nutshell, the more substantial economies get more proportionate shares, also more economic benefit in China. Another limitation of socialization theory is that while the nation-states are regarded as a unitary entity, other approaches need to consider internationally other factors that may influence the country's final choice.

In the case of democracy, in particular, one of the main factors influencing the making political decision process is public perceptions. Carrying the legislature and executive function in these countries has always paid attention to public opinion for reelection. Thus, the decision on this initiative can, therefore, be found of European understanding the rising of China in international presence. Gauging these observations is not easy; nonetheless, there may be beneficial research to confirm some hypotheses. Assuming that policymakers are influential or at least considering public opinion, analyzing public opinion on a particular topic can help understand decision-making actions. According to the Pew Research Center survey conducted on the general idea of European public opinion about China; as a result, the major nations in Europe are an essential ally of the United States.

Figure 4. Industry, construction, and services (except public administration, defense, compulsory social security) in 2016.

Source: Author



Moreover, it is hard to imagine that they can see a significant drop in America’s economic power (Wike et al., 2018). Unfortunately, the survey did not contain all the states utilized in the previous record. However, in major European economies, public opinion has been polled and can be considered for a while. Oddly, this is not true. As illustrated in Figure 5, a growing number of people see China overtake the US in terms of economic power (Pew Research Center, 2019).

However, China was not only recognized as the leading economy in most of Europe, now or in the future. It would be unimaginable even to define the US or China as a result of the leading power. Most people, who account for 60% of Europe’s average, seem to believe that China would be leading the US with world power (see Figure 6).

Then again, considering the precise figures, it seems that three potential economic capacity of western countries do not believe that the US will maintain an internationally leading role, but many discussions seem as if they believe in China’s importance (see Figure 7).

Furthermore, even if the questions have been asked about economic power, according to the Pew Research Center (2014), the results do not change. Nevertheless, despite many countries acknowledging the power of the Chinese economy, there was no positive evaluation. Particularly in Italy, China-made is regularly a competitor to local products due to the fear of Chinese economic growth is still active.

Then again, the perception of the Chinese president is mostly less confident. Except the UK has strong confidence than those, who do not believe in President Xi. The last observation is closely related to the difficulties China is facing worldwide and has been briefly discussed in the section above. Thus, China should expand its reputation as well. Although its influence and position are mostly known in other nations, it is still impossible to gain the trust of these states. While going back to the question, it can be argued that understanding China’s rise with political and economic power will convince AIIB’s choice of involvement. Accordingly, this status can be facing different countries’ decisions about if to strengthen their relationship with China.

11. Conclusion

The AIIB launch is a significant innovation in the global order. The Bank was vehemently opposed by Japan and the US. Thus, critics want the US allies to fight. In contrast, it has been considerable

Figure 5. Europeans continue to see China as the top economy by a narrow margin.

Source: Pew Research Center (2019)

Europeans continue to see China as the top economy by a narrow margin

% who say ___ is the world’s leading economic power

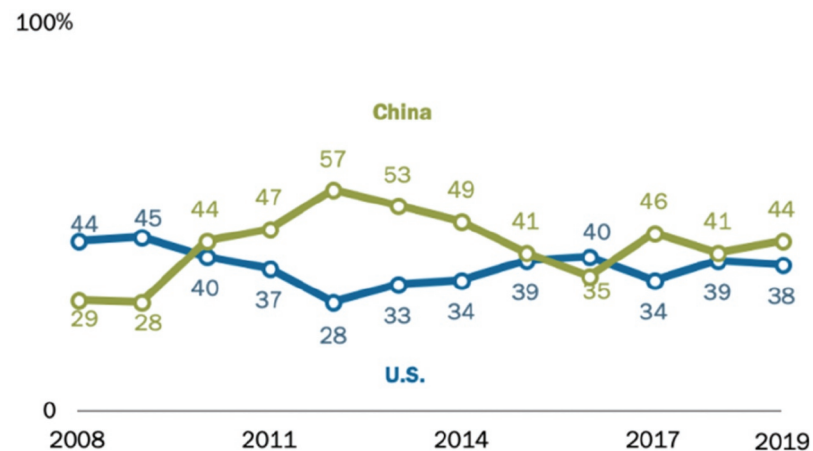


Figure 6. Will China replace U.S. as superpower?.

Source: Pew Research Center (2014)

Europe Confident China Has Replaced or Will Replace U.S.; Asia, Not So Sure

Which comes closer to your own view?

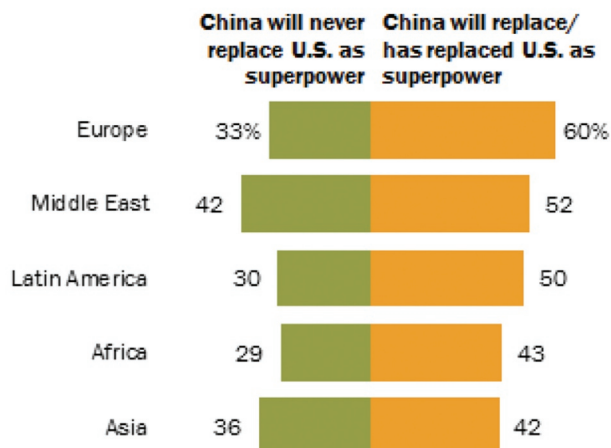
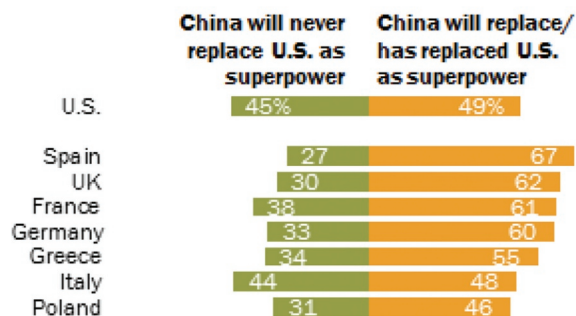


Figure 7. World's leading economic power.

Source: Pew Research Center (2014)

Many Say China Is/Will Be Leading Superpower

Which comes closer to your own view?



success in developed countries. Since the United Kingdom participated, many European countries have joined the banks. The reason may not be apparent in this circumstance.

The work ended with insight into European interests and perceptions of China. The study yielded analytical work that provides details on new topics that are not yet literary. This study addresses structures of governance and the future effect on AIIB. Several issues have been considered to provide a suitable reaction to the inquiry. However, the suggestion theory of socialization seems to be most tested, but other influential factors that are relevant. Again, many variables that make a single decision as often happens when investigating political issues. However, this study is considered the first step in future work. The conclusion reached allows for limitations in the field of analysis. The involvement of AIIB (political, regional, or security) organizations and other agencies does not seem to be a significant variable. The participation of other parties in the organization concerning AIIB may represent the public attention of developed economies in fostering development. Therefore, Western nations engage with AIIB as a member of development aid agencies and as a primary concern regardless of the alliance due to their increased interest in development. However, behind the same options, the economic benefits appear to be substantial.

Thus, AIIB will not only create opportunities for non-members in the region to receive operational benefits but will also strengthen their relationship with China.

Furthermore, in major European countries, China will be considered a developing country that will eventually swap the United States as a significant country in the world. For this reason, China will face a big challenge. Along with AIIB, China must prove that it is responsible and ready to develop to play a more prominent role internationally. Then again, China should also show that as the country becomes an international force and development, it can fund international relations based on the harmony which it is currently seeking. Viz China's success is not predictable. Nevertheless, even in non-regional countries, the big success of the AIIB appears that China is going in the right way.

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