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-centered international order in the area of multilateral development finance. Through a mixed-method examination involving elite interviews, analysis of government pronouncements and regressions, and drawing on concepts from rational choice theory, international policy diffusion and rational design of international institutions, this study finds that the AIIB’s success in terms of large membership is a result of China’s effectiveness in creating demand for the organization among Western advanced economies. We argue that policymakers in Western countries enjoyed the “induced agency” granted to them by China in the process of creating the organization and deciding about membership. First, Western advanced economies had agency, as their involvement was needed to prevent the AIIB from becoming a homogenous small organization consisting of Asian debtor countries in favor of a global organization with a heterogeneous group of debtor and creditor country members. The AIIB was thus set up to accommodate the specific economic and political goals of Western advanced economies. Second, Western advanced economies experienced agency in the process of deciding about membership as they were actively courted by China to join the AIIB. China further endorsed the spontaneous intensification of communications about joining the AIIB that ensued among Western advanced economies. Both efforts ultimately resulted in the diffusion among them of the decision in favor of membership. Third, the Western advanced economies were granted agency in the process of determining the AIIB’s organizational design, allowing them to effectively converge the initially-diverse visions for the institutional design of the bank from contesting the existing system of multilateral development banks towards integrating effectively into it. Our study advances theory on 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) focused on infrastructure financing for development, the Beijing-based bank started operations at the end of that year with a founding membership of 57 countries, an impressive number that falls just 10 short of the current membership of the Japan-led Asian Development Bank (ADB) founded in 1966. Not only did an unexpectedly high number but also a great variety of countries choose to join the bank. Most notably, many Western advanced economies joined the Asian developing economies to become founding members of the AIIB. Their policymakers made this decision amid rising apprehensions about Chinese dominance in the bank and growing Chinese financial power, about potentially lower governance, environmental, labor and other lending standards adopted by the institution, and 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 the Chinese policymakers themselves.

This study examines why many Western advanced economies joined the AIIB as founding members despite concerns of it being 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 that emerged was of the AIIB as a case of “competitive regime creation”, where China,

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2 Jamil Anderlini, 'UK move to join China-led bank a surprise even to Beijing,' *Financial Times*, 26 March, 2015. While this study focuses only on founding membership, the popularity of the newly formed bank is not abating. At the time this study was carried out, another 40 countries were in the process of joining or had communicated their interest to join soon.
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 quickly 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 in terms of large membership is a result of the effectiveness China had in creating 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, deciding about their founding membership and drafting 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 happened so far with the Belt and Road Initiative (BRI) and the New Development Bank

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5 Ibid.
7 For a list of AIIB founding members and their membership to other MDBs, refer to Table A in the Online Appendix.
8 For a comparison of the most important MDBs with the AIIB, refer to Table B in the Online Appendix.
(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 as their involvement was needed to prevent the AIIB from becoming a homogenous small organization consisting primarily of debtor countries. When the Memorandum of Understanding (MoU) to establish the AIIB was signed in October 2014, most signatories were Asian developing countries and the organization was in need of creditor countries which would transform the AIIB into a global organization with a more heterogeneous membership. The AIIB was thus set up to accommodate the specific economic and political goals Western high-income countries had for joining the organization. Many of their goals were complementary to those of Asian developing countries, resulting in “goal heterogeneity” among prospective founding members. Such goal heterogeneity is similar to the concept of preference heterogeneity in the rational choice literature. However, while heterogeneity is often a reason for failure to reach a desired outcome in the rational choice theory,9 in the case of AIIB membership it enhanced the pool of different countries interested in joining the AIIB and was thus an important factor determining the large size and diversity of its founding membership.

Second, Western advanced economies experienced agency in the process of deciding about membership, as they were actively courted by China to join the AIIB through various bilateral exchanges. In addition, China endorsed the spontaneous intensification of interaction, consultations and information-sharing about the proposed AIIB that subsequently ensued among Western countries, which supported each other in refining their positions towards membership in the AIIB. This reduced the apprehensions they held about the constitution of the AIIB and China’s role in creating and leading it and enhanced their confidence about membership. Western

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9 This contradicts other studies suggesting that in other contexts, preference heterogeneity reduces the likelihood of a desired outcome. See Fritz W Scharpf, *Games real actors play: Actor-centered institutionalism in policy research*: Routledge, 2018).
economies looked at and responded to each other’s intentions and actions towards the proposed AIIB, so that the actual decision to join the AIIB eventually spread from government to government. The decisions of some governments to join the AIIB were conditioned by prior decisions or actions of other governments, similar to processes of learning, emulation and competition in international policy diffusion. The result was a process of “decision diffusion” to join the AIIB.

Third, the Western advanced economies were granted agency in the process of determining the AIIB’s organizational design, allowing a process to occur in which 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 when influencing the design of the AIIB from within had proven more promising than pressure from the outside. Western creditor countries were incentivized to join the organization by the prospect of preventing the emergence of parallel structures in international development finance created by China. They effectively contested the contested multilateralism by advancing the convergence of the AIIB’s organizational design to accommodate their preferences. This “design convergence” eventually integrated the organization into the prevailing financial order, and the AIIB’s governance structures were made to conform to the common standards and governance procedures in international development finance. The result was a rational design for the AIIB that reflected a compromise among founding members.

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 theory on the demand for membership in international organizations (IOs), complementing a literature that has primarily focused on IO formation. 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 available theories and studies to date with respect to the examination of individual country-specific reasons for joining IOs in general and the AIIB in particular. This discussion is followed by a brief methodology section. We then develop our case study findings in three steps, followed by a section in which we revisit the contested multilateralism framework in the context of AIIB accession. In a discussion section we elaborate on the theoretical implications of our findings and proposed ways forward for further development of theory. A final section concludes.

**Insights and shortcomings in existing theoretical work**

For an effective examination of why Western advanced economies joined the AIIB, a first step must be to understand why individual countries join specific IOs. However, the core IO theories do not provide a conclusive account on what drives demand for membership. Rather, these theories focus on the purposes and functions for 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

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why countries become members. The following key theories of international organization exemplify this lack of focus on country-specific decisions to join an IO.

The theory of liberal institutionalism argues that countries create IOs to collaborate, to achieve mutual gains and to better confront common challenges.\(^\text{13}\) An organization provides public goods of various kinds, such as commonly agreed rules and norms, international peace, stability and prosperity,\(^\text{14}\) regionalization\(^\text{15}\) and the cooperation in technical areas suggested by rational functionalists.\(^\text{16}\) Many regional and economic organizations focus in particular on the provision of global public goods.\(^\text{17}\) When formed by larger states, small powers can benefit from free-riding on the collective goods provided by an IO.\(^\text{18}\) In addition to public good provision, there are country-specific benefits from IO membership, including issue-area functional gains\(^\text{19}\) such as particular economic benefits,\(^\text{20}\) or gains in other areas such as political advantages or international recognition.\(^\text{21}\) They can be specific to any particular country, strongly tied to the national self-interest and therefore important for the membership decision. The AIIB and other MDBs aim to provide both shared and country-specific benefits by financing and providing technical expertise


\(^{16}\) Barbara Koremenos, Charles Lipson and Duncan Snidal, "The Rational Design of International Institutions.'


for development and infrastructure projects in developing countries. However, liberal institutionalism does not provide solid insights on why certain types of countries, such as Western advanced economies, make the decision to join an IO.

Theories of delegation suggest that countries can achieve some of their purposes and functions more effectively through IOs, as their institutional characteristics offer several advantages over individual state action and the decentralized cooperation of states in the international system. By forming IOs, states delegate functions from an individual to a multilateral level, with member states as multiple principals and the organization functioning as a single agent. This approach provides the IO with relative independence from the influence of individual states, resulting in greater efficiency in the coordination among states and the resolution of international challenges. In setting up MDBs such as the AIIB, countries collectively delegate the financing of large international development projects to a multilateral institution, but why individual countries decide to join specific MDBs is less explained by theories of delegation.

In hegemonic stability theory, participation in IOs is conditioned by a country’s relationship with the hegemonic power that creates and leads international regimes. Other countries may either

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25 Kenneth W. Abbott and Duncan Snidal, "Why States Act through Formal International Organizations."
26 Bruce Jenks and Homi Kharas, "Toward a new multilateralism."
exercise, challenge or follow a particular state’s leadership in the international system.  

Geopolitical alliances can therefore play an important role in countries’ engagement with particular IOs. China exercised leadership in the formation of the AIIB by launching the initiative, obtaining the highest share of votes in the organization and insisting that its headquarters are located in Beijing. The positions countries held on China’s hegemonic ambitions, especially in Western advanced economies with a preference for an US-led international order, might have therefore affected the membership decision. However, hegemonic stability theory focuses on the role of the country creating the organization, providing secondary insights on why other countries might become members.

In their contribution to the *Oxford Handbook of International Organizations*, Pevenhouse & von Borzyskowski repeatedly concur with our assessment above 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 emphasize the need for a greater conceptual distinction between the two.  

While there is some empirical work aiming to explain what types of countries join a particular IO, as in Davis & Wilf’s study on the timing of accession to the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO) from 1948-2014, 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.

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28 Barbara Koremenos, 'When, What, and Why Do States Choose to Delegate?'; Bruce Jenks and Homi Kharas, 'Toward a new multilateralism.'
29 Christina L. Davis and Meredith Wilf, 'Joining the Club: Accession to the GATT/WTO.'
30 Jon Pevehouse and Inken von Borzyskowski, 'International Organizations in World Politics.'
31 Christina L. Davis and Meredith Wilf, 'Joining the Club: Accession to the GATT/WTO.'
In the case of the AIIB, the organizational purposes and functions of the proposed organization were not much 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 considerable variation 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 the above grand IO theories. This literature’s almost exclusive focus is on the bank as an institution created to challenge the pre-established order, especially the Bretton Woods system.\(^\text{33}\) Most emerging quantitative empirical work on the creation of the AIIB has employed the contested multilateralism framework,\(^\text{34}\) 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”.\(^\text{35}\) As existing international institutions struggle to adapt to changes in the global distribution of power, it has been suggested that emerging powers

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such as China find it difficult to capture their interests in pre-existing regimes.\textsuperscript{36} Through competitive regime creation, these emerging powers dissatisfied with the current international regime may exercise the option to create new institutions tailored to their needs.\textsuperscript{37} The creation of the Inter-American, Asian, and African Development Banks had already aimed at fulfilling 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”.\textsuperscript{38} Developing countries joined these institutions to gain more access to credit for infrastructure projects that they could not obtain from the large MDBs and to shield themselves against some pressures from advanced economies.\textsuperscript{39} In the case of China, MDBs proved to be unable to accommodate China’s demands for more leadership and voice, and the AIIB is often seen as China’s response to this lack.

From this perspective, the AIIB is viewed as an institution created to advance China’s foreign policy objectives,\textsuperscript{40} and membership would favor countries with close geopolitical ties and shared values with China. Focusing on the trajectory of membership accession (see 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.\textsuperscript{41} Wang suggests that less represented and more dissatisfied countries were more eager to join the AIIB.\textsuperscript{42}

\textsuperscript{39} Ibid.
\textsuperscript{40} Ning Lu, \textit{The Dynamics Of Foreign-policy Decisionmaking In China} (New York Routledge, 2000).
\textsuperscript{41} Vinicius Rodrigues Vieira, 'Who joins counter-hegemonic IGOs? Early and late members of the China-led Asian Infrastructure Investment Bank.'
\textsuperscript{42} Yu Wang, 'The Political Economy of Joining the AIIB,' p. 127.
Figure 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.
Contested multilateralism exhibits some 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 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 a rivalry for international leadership between the US as the incumbent leader and China the challenging state. They argue that other Western advanced economies will join initiatives by the challenging state if they perceive a benefit from such an action and the challenging state takes an inclusive approach to participation. 43 We seek to build on this and the other initial studies by drawing on interviews and public expressions by 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

In contrast to the above theories that position the organization at the center 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 this perspective. Our examination covers the decisions of all countries to join the AIIB, which we considered a necessary prerequisite before focusing on why Western countries joined. We favor an inductive approach to our inquiry, undertaking a mixed-methods examination aimed at identifying mechanisms that lead 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.

Our first step was to identify all the goals countries had for 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. After an initial search yielded several hundred articles and communications discussing countries joining the AIIB, we eliminated those that did not provide explicit pronouncements on goals for joining. A systematic and replicable approach was followed in the process of coding. All pronouncements indicating a goal for joining the AIIB were coded in NVivo. A large majority of the coded text was either found in a government source, such as the website of a relevant ministry, or taken from a direct quote or paraphrased explanation made by a government official in an article provided by a media source of the relevant country. Coding categories were subsequently derived through emergent coding techniques, as the categories were not known a priori. To increase reliability,

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we employed a double-blind coding technique, with two researchers coding separately in NVivo and subsequently comparing results, 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.

Table 1: Summary statistics of analyzed 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>Arab</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>157</strong></td>
<td>Dutch</td>
<td>1</td>
</tr>
</tbody>
</table>

While 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 one expert from the AIIB via in-depth semi-structured phone interviews (and one written submission) between April and November 2018. A list of interviewees is provided in Table 2; all were knowledgeable about the accession decisions or closely involved in the process of AIIB establishment. All had a high rank at the time of accession, including former departmental ministers, senior diplomats and directors. Our interviews covered the entire AIIB geographical scope, but with some focus on Western advanced economies, consistent with our research question. While each interview broadly followed the list of interview questions provided in Table 3, the semi-structured nature allowed for flexibility to uncover specific issues in greater detail and enabled interviewees to reveal unanticipated information and novel insights. Taken together, the accounts provided by these interviewees 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.

**Table 2: List of interviewees**

<table>
<thead>
<tr>
<th>Position</th>
<th>Date of Interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Former Lead Negotiator of the Brazilian government for AIIB accession</td>
<td>24-04-2018</td>
</tr>
<tr>
<td>Former Secretary of International Affairs of the Ministry of Economics of Brazil</td>
<td>27-04-2018</td>
</tr>
<tr>
<td>Former Head of the Financial Policy Division, Ministry of Foreign Affairs of Brazil</td>
<td>08-05-2018</td>
</tr>
<tr>
<td>Former leading counsellor, Asian Infrastructure Investment Bank</td>
<td>10-05-2018</td>
</tr>
<tr>
<td>Former leading policymaker, HM Treasury, United Kingdom</td>
<td>02-07-2018</td>
</tr>
<tr>
<td>Former United Kingdom diplomat seconded to the EU delegation</td>
<td>03-07-2018</td>
</tr>
<tr>
<td>Former Treasury Secretary and lead AIIB negotiator of New Zealand</td>
<td>10-07-2018</td>
</tr>
<tr>
<td>Former Swiss Director at the AIIB</td>
<td>12-07-2018</td>
</tr>
<tr>
<td>Former senior policymaker at the US government</td>
<td>12-07-2018</td>
</tr>
<tr>
<td>Former senior policymaker at the European External Action Service</td>
<td>16-07-2018</td>
</tr>
<tr>
<td>Senior policymaker, German Federal Ministry of Finance</td>
<td>27-07-2018</td>
</tr>
<tr>
<td>Senior policymaker, German Federal Ministry of Finance</td>
<td>29-08-2018</td>
</tr>
<tr>
<td>Former Deputy Minister of Finance of Georgia</td>
<td>03-09-2018</td>
</tr>
<tr>
<td>Former leading government official from the Philippines</td>
<td>05-09-2018</td>
</tr>
<tr>
<td>Senior staff member of the Australian Treasury</td>
<td>11-10-2018</td>
</tr>
<tr>
<td>Senior representative of the Ministry of Foreign Affairs of Luxembourg</td>
<td>02-11-2018</td>
</tr>
</tbody>
</table>
Table 3: List of interview questions

Why did country join the AIIB?
What were the (potential) benefits for country of joining the bank?
What were the (potential) costs to country of joining the bank?
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.
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?
Was country influenced by other countries in its decision to join the AIIB? If yes, how was it influenced?

We complemented our rich primary data with secondary sources when discussing the unfolding of events during the establishment of the AIIB in 2014-2015. All our extensive primary and secondary qualitative evidence allowed us to re-construct the chronology of how events unfolded and make inferences about the causation from 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 approach from a very different methodological tradition and allowed us to replicate the kind of methodology that has dominated the literature on the creation of the AIIB to date. In summary, our study has been innovative in how it has combined 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 around three separate aspects related to the decision to join the AIIB – the goals countries had with regards to organizational membership, the dynamics and processes of decision-making among states, and each country's approach to 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 latecomers (the latter defined as having expressed interest in joining after the UK did on March 11th, 2015). Table 5 presents the difference in such frequency and whether it was significant. The goals can be separated into 5 economic (Table 5a) and 4 political (Table 5b) ones.

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48 A list with full quotes and associated sources is available from the authors upon request.
The most common goals for joining the AIIB reflected the main public good provided by the organization – to obtain funds for infrastructure projects. Many countries faced a dire need for capital to invest in connectivity, with domestic financing often insufficient. Almost exclusively the Asian countries for which these funds were earmarked joined for this goal, as did low- and middle-income countries that would become the primary beneficiaries. It is not surprising that

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49 Number of countries that had the 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.
these countries joined quickly and formed a large part of the 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.

### Table 5a. Economic goals for joining the AIIB by types of country

<table>
<thead>
<tr>
<th>Country type</th>
<th>Obs.</th>
<th>Obtain AIIB funds (1)</th>
<th>Business opportunities (2)</th>
<th>Economic cooperation with / in Asia (3)</th>
<th>Support public good of infrastructure funding (4)</th>
<th>Contribution to development assistance (5)</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><strong>Mean diff.</strong></td>
<td></td>
<td><strong>57%</strong>*</td>
<td><strong>-58%</strong>*</td>
<td><strong>-33%</strong></td>
<td><strong>-8%</strong></td>
<td><strong>-12%</strong></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><strong>Mean diff.</strong></td>
<td></td>
<td><strong>79%</strong>*</td>
<td><strong>-58%</strong>*</td>
<td><strong>-37%</strong></td>
<td><strong>-18%</strong></td>
<td><strong>-17%</strong></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>Late comers</td>
<td>30</td>
<td>30%</td>
<td>60%</td>
<td>47%</td>
<td>50%</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Mean diff.</strong></td>
<td></td>
<td><strong>47%</strong>*</td>
<td><strong>-48%</strong>*</td>
<td><strong>-27%</strong></td>
<td><strong>0%</strong></td>
<td><strong>-9%</strong></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 5b. Political goals for joining the AIIB by types of country

<table>
<thead>
<tr>
<th>Country type</th>
<th>Obs.</th>
<th>Influence in the bank (1)</th>
<th>Complements other MDBs (2)</th>
<th>Enhancing bilateral relations with China (3)</th>
<th>Following China’s lead (4)</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><strong>Mean diff.</strong></td>
<td></td>
<td><strong>-23%</strong>*</td>
<td><strong>-4%</strong></td>
<td><strong>-49%</strong>*</td>
<td><strong>15%</strong></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><strong>Mean diff.</strong></td>
<td></td>
<td><strong>-32%</strong>*</td>
<td><strong>-9%</strong></td>
<td><strong>-34%</strong>*</td>
<td><strong>12%</strong></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><strong>Mean diff.</strong></td>
<td></td>
<td><strong>-29%</strong>*</td>
<td><strong>5%</strong></td>
<td><strong>-39%</strong>*</td>
<td><strong>-8%</strong></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.
Many high-income countries outside the AIIB region and countries that joined late in turn expressed strong interest in the business opportunities provided by membership in the bank, including participation in infrastructure construction projects, opportunities to bid for relevant contracts and enhanced exports to the growing Asian market. Our interviewees frequently stressed this point. These countries tended to stress the importance of enhancing cooperation in economic, trade and investment relations with Asian countries.

Beyond these benefits offered by the AIIB to countries individually, some broader economic and development considerations made by all categories of countries in Table 5 played a role in the membership decision. Many governments expressed their agreement with the advice provided by 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 emphasized the funding gap in this area. Given the high frequency with which this opinion was expressed by governments in the context of AIIB accession, there was broad acceptance that the public good to be provided by the AIIB 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 this goal was overall of secondary importance to countries.

Among the political goals, greater influence within the AIIB was the most important goal to be achieved by membership and the second most important reason overall. Our interviewees emphasized 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 who joined as latecomers to ensure the new organization would adopt high governance and lending standards. In addition, membership in the AIIB was 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 they held in other MDBs, given
that regional members collectively hold 75% of AIIB shares. Some of them 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 required founding member status.

Governments from all categories of countries in Table 5 viewed the AIIB as a complement to existing MDBs, a positive addition that augments available financing options. The broad mandate of existing MDBs, targeted at poverty reduction more generally, made them ill-equipped to fill the gap in infrastructure finance. This lack created the need for an additional institution specialized 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 might question the applicability of the contested multilateralism framework to the context of the AIIB.

Finally, a country’s individual relations with China were an important factor in the decision to join the AIIB. Especially 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 heterogenous set of goals that guided the decision of individual countries to join the AIIB. Much of this goal heterogeneity was a result of high-income countries from outside the AIIB region, most of which were latecomers, having a different set of goals from their respective opposite groups composed primarily of potential debtor countries. Because high-income countries would contribute large funds to the AIIB as creditor countries, they were needed as members 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 the specific goals of Western advanced economies – especially greater influence in 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 each other in their decision to join the AIIB in several ways. First, over the years preceding the establishment of the AIIB, a general notion that the lack of “connectivity” was hampering development in Asia had developed and spread among countries in the region. This view was not only championed by China but shared by many other countries in the region and by several MDBs.\(^{51}\) Such “expert theorizing” about the need for and value of infrastructure investment to spur economic development in Asia, and an estimated $8 trillion infrastructure financing gap in the region, were therefore instrumental in developing a shared understanding among states about the general merits of the AIIB. The content analysis and interviews confirmed that advanced economies and the United States agreed with this argument.\(^{52}\)

Second, throughout the critical period from the announcement of the AIIB in October 2013 to the signing of the Articles of Agreement (AoA) in May 2015, China organized numerous meetings with like-minded Asian countries to discuss this prospective MDB and advance its

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\(^{52}\) Interview K3.
establishment. At first, more than 20 Asian countries were invited to a series of five “consultation meetings” held in Beijing (in January 2014 with 10 participating countries and in March 2014 with 15 participants), Shanghai (June 2014, 22 countries), and again 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 like-minded countries of the value of participation and set priorities for the establishment of the institution. It also allowed participating countries to consult each other about their intentions. The meetings helped 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.

Third, China organized a charm offensive towards countries not invited or 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 the possibility of membership. These interactions involved the non-Asian BRICS countries early in the process, the countries of the G7 and the EU, and Australia. Jin Liqun, the person to become the first President of the AIIB, visited many countries to promote the initiative, including the United

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53 Interview U1.
54 Interview U4.
55 Interviews U4 and U5.
States, Europe and Germany. New Zealand was strongly encouraged by the Chinese to become a member, with the first proposal having been made to Prime Minister John Key by Xi Jinping himself. The eagerness with which China sought Western participation in the AIIB gave the advanced economies agency in the process of AIIB establishment. Knowing that China craved their participation, they could attach membership to certain conditions that would help them achieve their goals in the organization and promote their preferred organizational design.

These early recruitment efforts aimed at finding a sufficient number of confirmed founding members to formally launch the AIIB at the meeting of the Asia-Pacific Economic Cooperation (APEC) in Beijing that autumn. But at this meeting on October 24th, 2014, only 21 of the countries deliberately targeted by China through diplomatic efforts, and only most of those that took part in the initial consultation meetings, signed the MoU to establish the AIIB along with China. Except for Singapore, Qatar and Kuwait, the signatories were developing countries from Asia, with India being the only other large country. These were all countries that collectively formed the geographic center of the BRI and 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.

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 intention to join the organization. These 26 countries became the early movers in Figure 1. During this period, a series of Chief

57 Interview K3, K6 and K9.
58 Interview U2.
59 Interview K3.
60 Rachel Chang, ‘AIIB: China needs to win over naysayers,’ The Straits Times, November 4, 2014.
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.
Negotiator Meetings (CNMs) were arranged for the confirmed prospective founding members to discuss further specificities of the soon-to-be organization and negotiate its 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 were deliberations and exchanges that excluded China. From mid-2014 onwards, widespread exchanges occurred among civil servants especially from Western countries on the issue of AIIB membership.62 There were intense consultations and coordination on the issue among all G7 members and informal consultations on the AIIB amongst all 28 EU member states. Similar debates occurred among and within other relevant multilateral organizations, such as the G20 and other MDBs.63 Moreover, countries with relatively greater initial interest in joining the AIIB such as Australia and South Korea sought reassurance from other countries to see whether they would be involved and participate in the initiative.64

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 as it became the first Western advanced economy to become a member. The result was a new dynamic, with Australian, Canadian, EU, Japanese, Korean and Swiss government officials all interested in talking to the government of New Zealand to learn from its experience with the negotiations of the AoA.65 China took a favorable view of these exchanges, as they

62 Interviews U3, K1, K3, K4 and K8.
63 Interview K4, K5, K6 and K8.
65 Interviews U2, K4 and K8.
effectively constituted a bridge with other Western countries on the issue.\textsuperscript{66} Although Western countries did not act collectively on AIIB accession, these exchanges likely gave them further agency as they increased their confidence that making the decision to join the AIIB would be consistent with the thinking in like-minded countries and would be an appropriate approach to dealing with China’s role in forming the AIIB.

Then, on March 12\textsuperscript{th}, 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 US 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 in which China would become one of the UK’s main trading partners. This decision also supported London’s efforts to become an international hub for the internationalization of the Renminbi.\textsuperscript{67} A leading role in this decision was played by the Chancellor of the Exchequer George Osborne and the British Treasury, who aimed at intensifying the UK’s global outlook and outward-looking orientation, an agenda that included a strong economic and political relationship with China.\textsuperscript{68}

Cultivating a good relationship with China was a key reason for Britain’s attempt to be a first mover on this issue among the large Western economies. In an atmosphere of intensifying Western interest in the AIIB, expressing membership intentions early on could garner points for a country’s relationship with China. Not only the UK took advantage of this opportunity. In fact, Luxembourg – which had its own specific interests as a financial center – won the race by signing up to join the organization one day ahead of the UK, although the UK was the first to announce

\textsuperscript{66} Interview U2.
\textsuperscript{68} Interviews K1, K2 and K3.
its decision. Consequently, it has been suggested that China diplomatically played off Britain against Luxembourg, pointing to the existence of a competitive dynamic among the latecomers when contemplating AIIB membership, where countries competed for political gains in their relations with China.

After the UK joined the AIIB, it became inevitable for other advanced economies to do the same. China would have questioned why other Western economies were unable to join the AIIB if it was possible for the UK. Thus followed a cascade of other applications for membership by advanced economies. Days after the UK’s decision, the three other G7 countries – Germany, France and Italy – coordinated their announcement to join the AIIB, followed by smaller European economies, South Korea and Australia. The case of Georgia is also interesting; Georgia heard of the AIIB from the World Bank, then investigated the behavior of other Western countries and decided to follow them into joining the AIIB. The mixed group of countries that joined within days of Britain’s decision, consisting of several advanced economies and other developing countries from within and outside the Asian region, form the latecomers in Figure 1.

This flurry of membership applications by advanced economies was intensified by deliberate strategies China adopted to entice countries to join. One strategy was to attach certain privileges to founding membership, including 600 additional votes and greater political roles in the bank. Another was to set a deadline of April 1st, 2015, by which countries had to apply for founding

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69 Interviews K4 and K9.
70 Jamil Anderlini, 'UK move to join China-led bank a surprise even to Beijing.'
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, Netherlands, Norway, Poland, Portugal, Russia, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, United Arab Emirates and United Kingdom.
75 Interview U1, U4 and K3.
membership. This deadline upped the pressure on the decision of whether to become such a privileged founding member. Togethertogether with bilateral and multilateral efforts at convincing countries, this subtle pressure was a means by which China nurtured 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 certainly a response by China to the dominance of the US in the Bretton Woods Institutions and the overall lack of progress in giving emerging economies a greater voice in these institutions. At that time, China was also 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. Moreover, the lack of strong creditor countries 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.

Although it is not known what the Chinese had initially planned for the AIIB, the idea of a China-led bank formed to support China’s interests, such as the BRI, likely gained some traction among specific groups of policymakers in Beijing. However, this view was not shared by the group surrounding Jin Liqun, who himself had accumulated a lifetime of experience in the World

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76 Interviews U1, U7, K7 and K9.
77 Interviews U1, U2, U6, K3 and K6.
78 Interviews U4 and U5.
79 Interviews K3, K4, K5 and K9.
80 Interviews K2, K3 and K4.
Bank and other MDBs and understood why setting up a high-quality institution would be vital.81 Ultimately, his circle’s point of view prevailed, and as soon as Jin Liqun undertook his many visits to advanced economies to advertise the bank, it became increasingly evident that the bank would aim at integrating 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.82 The G7 countries, including the US, did recognize the value of such a bank. They supported the idea of bringing debtor and creditor countries together for such an important cause and favored 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.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.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.85 Membership might have seen Japan support China’s efforts at replacing it in 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 a potentially useful vehicle to integrate China

81 Interviews K3 and K8.
82 Interview K4.
83 Interviews K2, K3 and K4.
84 Interviews K2, K3, K4 and K6.
85 Interview U2.
further into the multilateral system.\textsuperscript{86} 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.\textsuperscript{87} Accepting the inevitability of China’s rise, these countries’ focus of attention therefore shifted to the questions about AIIB governance and standards.

In recognition of both the AIIB’s potential but also 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 to shape it from within, or to stand aside and shape it from the outside using their status as potential creditor countries as leverage.\textsuperscript{88} The US, whilst not opposing the AIIB in principle, vigorously endorsed this 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 US raised concerns that membership would mean validating a potentially problematic organization.\textsuperscript{89} It therefore encouraged the other potential creditor countries, and especially the G7 countries, to stand aside, seek greater clarity on the institution and use the possibility of future membership to influence its constitution from the outside.\textsuperscript{90} 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.\textsuperscript{91} However, while there was some diplomatic discouragement, such as in the form of expressions of US preferences that other countries should not engage with the bank, our research did not uncover

\textsuperscript{87} Interviews U3, K4 and K5.
\textsuperscript{88} Interviews K3 and K4.
\textsuperscript{89} Interview K3.
\textsuperscript{90} Interviews U1, K3 and K6.
\textsuperscript{91} Interview K3.
evidence of any outright coercion from the US to prevent countries from joining.92 Indeed, the accounts provided by our interviewees did not conform with descriptions of aggressive US lobbying found in some media articles.93

Once it had joined the 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 the areas of concern for advanced economies were being addressed in these negotiations.94 China evidently showed flexibility on how the AIIB should be constructed, allowing controversial issues to be deliberated amongst 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 if that helped establish the bank.96 Thus, interest in the bank was building up considerably among the advanced economies.97

The UK had reportedly expressed its interest in joining the AIIB amongst G7 countries as early as November 2014,98 and in early 2015, it solidified a different position from 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

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92 Interviews U2, U5, K1, K4 and K8 used language aimed at denying the existence of threats or coercion from the US and diminished the significance of US influence on them.
93 See, for example, Jane Perlez, 'U.S. opposing China’s answer to World Bank,' The New York Times, 9 October, 2014.
94 Interviews U2, K2, K4, K6 and K8.
95 Interviews K2 and K4.
96 Interview U1 and K8.
97 Interview K4.
98 Interview K6.
99 Interviews K1, K2, K3, K6 and K9.
position, making it impossible to forge a consensus on the matter amongst the G7.\footnote{Interview K3 and K6.} Once Britain made its move to join the AIIB, the US position became untenable, since any impact of delaying membership to raise the quality of the institution from the outside was minimized by the UK’s decision.\footnote{Interview K1.}

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

The UK’s decision marks the moment when the AIIB became a huge success for Chinese diplomacy. It enabled China to demonstrate its ability to assume international leadership, garnering the goodwill of Western creditor countries that agreed to pay billions into the bank. The Chinese were indeed open to the demands of Western countries on the text of the AoA in the continuing negotiations up until June 2015.\footnote{Interview K8.} The effective convergence of the AIIB’s organizational design demonstrates how Western advanced economies had significant agency on the constitution of the AIIB initially from outside the institution and later from within and that such agency was a key reason they eventually decided to join the AIIB. Granting such agency was therefore a vital step by China in creating demand for the AIIB among Western advanced economies.
However, there were also countries that did not join and continued to favor the US point of view.\textsuperscript{104} Most notably, Japan followed its tradition of solidarity with the US by not participating. For the US, joining the AIIB was never a viable option, as Congress would unlikely have authorized a capital allocation to a China-led MDB at a time when the US was negotiating the Trans-Pacific Partnership agreement and struggled with China over other geopolitical differences.\textsuperscript{105} In fact, the US Congress had even been unwilling to ratify a capital increase to the IMF in early 2014.

**Contesting contested multilateralism**

The early days of creating the AIIB were characterized by uncertainty regarding its institutional setup and speculation about it being a case of competitive regime creation. This enabled only countries which had no problem with neither to join the nascent institution. Indeed, some in Beijing and among the early-movers likely aspired for the AIIB to become a case of competitive regime creation to make a point about the anachronistic nature of the international financial order. However, any such ambition faded away 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 in institutional conceptualization and organizational purpose that the AIIB appeared to have with other development banks. It is such “design convergence” – rather than the contested multilateralism that is proposed in the literature – that serves as a more appropriate explanation for the widespread endorsement of the bank. Whilst competitive regime creation might have been an initial consideration by a few early-movers, it evaporated over time after Jin Liqun visited advanced Western economies in the summer of 2014. Contested multilateralism might have been

\textsuperscript{104} Interview K4.
\textsuperscript{105} Interview K3.
an initial motivation 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 has played as a goal for joining the AIIB (see Tables 4 and 5b, 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 challenging the existing international order.106

Some minor aspects conform with the general notion of contested multilateralism. The AIIB has increased the complexity of the global regime of international development finance, has structured control and voting rights in favor of weaker states, and with its focus on infrastructure created an organization with a mandate closer to the interests of the initial members.107 Yet, contested multinationalism is conceptualized as a situation and strategy in which a coalition is being formed to contest the status quo, as a result of which international accepted rules and practices are being “significantly modified”.108 Design convergence has prevented this from happening, resulting in any challenge by weaker states collapsing and not amounting to any significant immediate change.109 But it is unclear how this will play out further in the future, and it has been argued that the AIIB may still transition to a different, less liberal international order.110

Quantitative examinations conducted by us 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 Table 6 finds that countries tend to be members of many MDBs in parallel and have welcomed the

106 Interview K8.
107 All these are indicators of situation involving contested multilateralism. See Morse and Keohane Julia C. Morse and Robert O. Keohane, 'Contested multilateralism,' p. 392.
AIIB into their membership portfolio (see also Table A in the Online Appendix). Indeed, in its three years of existence, many of its approved infrastructure projects to date benefited from co-financing from other MDBs (see Table C in the Online Appendix). Such overlaps and labor division among IOs tend to be viewed by governments as desirable outcomes.\(^{111}\) Moreover, examinations of the initial projects funded by the AIIB since 2015 concluded that the AIIB is not a norm challenger but an internationally collaborative and inclusive institution.\(^{112}\) All this suggests that the AIIB has been integrated into the system of MDBs, rather than contesting it.

<table>
<thead>
<tr>
<th>Table 6: Pairwise correlation coefficients of shares in MDBs weighted by GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIIB</td>
</tr>
<tr>
<td>AIIB</td>
</tr>
<tr>
<td>WB</td>
</tr>
<tr>
<td>ADB</td>
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</tbody>
</table>

Note: (*) denotes statistical significance.

Table 7 presents several regression models of AIIB membership on a group of independent variables frequently used in this context.\(^{113}\) We initially regressed relevant country characteristics on dummy variables for (a) founding membership, (b) early-mover and (c) latecomer countries using a logistic link function. Then we modeled the subscribed shares in the AIIB by each


\(^{112}\) Ian Tsung-yen Chen, 'China’s status deficit and the debut of the Asian Infrastructure Investment Bank.'

member through OLS. Finally, we modeled the number of days it took a country to express its interest in joining since the first country expressed its interest (see Figure 1), which is a censored dependent variable modeled 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 7, given $\mu = E(Y)$ and a logistic link function $g$:

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

Models 1-3 have a very good fit, correctly classifying approximately 90% of the observations and exhibiting low results for the Akaike information criterion.\footnote{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, Ariel Linden, 'KFOLDCLASS: Stata module for generating classification statistics of k-fold cross-validation for binary outcomes,' in Statistical Software Components ed. (Boston College Department of Economics, 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 Statistical Software Components ed. (Boston College Department of Economics, 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 resampling. 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:
\[
\log (\text{Subscribed shares to AIIB, weighted by GDP})_i \\
= \beta_0 + \beta_1 \text{GDP per capita}_i + \beta_2 \text{Net FDI}_i + \beta_3 \text{FDI stock from China}_i \\
+ \beta_4 \text{Shares in World Bank (GDP weighted)}_i + \beta_5 \text{Exports}_i + \beta_6 \text{Distance from Beijing}_i \\
+ \beta_7 \text{FTA with China}_i + \beta_8 \text{Net ODA}_i + \beta_9 \text{UNGA vote convergence with US}_i \\
+ \beta_{10} \text{UNGA vote convergence with China}_i + \epsilon_i
\]

For the censored dependent variable, we specify the following model, corresponding to model 5 in Table 7, where \( y^* \) is a latent variable that is observed for 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 and 5. The most significant result is that countries located closer to China geographically were associated with (early) membership in the AIIB. This confirms our findings of countries in the AIIB region being more inclined to join the organization. We know from Table 5a (first column) that these countries – often with lower income – were more 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 cherished 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 were outside

\[115\] This required triangulating evidence from different data sources in a mixed-method study. For a good discussion of the challenges, see Florian G. Kern, 'The Trials and Tribulations of Applied Triangulation: Weighing Different Data Sources.'
the AIIB region, such as in Africa, and because hard infrastructure is in greater need in middle-income countries, where basic poverty reduction has stopped being the main development concern.

Table 7. Determinants of AIIB accession

<table>
<thead>
<tr>
<th>Dependent variable:</th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model:</td>
<td>Logit</td>
<td>Logit</td>
<td>Logit</td>
<td>OLS</td>
<td>Tobit</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>0.118***</td>
<td>0.0947**</td>
<td>0.0960***</td>
<td>-0.00234</td>
<td>-2.324***</td>
</tr>
<tr>
<td></td>
<td>(0.0342)</td>
<td>(0.0288)</td>
<td>(0.0255)</td>
<td>(0.00304)</td>
<td>(0.550)</td>
</tr>
<tr>
<td>Net FDI</td>
<td>0.0119**</td>
<td>0.0200***</td>
<td>0.0109**</td>
<td>0.00112</td>
<td>-0.247*</td>
</tr>
<tr>
<td></td>
<td>(0.00364)</td>
<td>(0.00539)</td>
<td>(0.00376)</td>
<td>(0.000878)</td>
<td>(0.0953)</td>
</tr>
<tr>
<td>FDI stock from China</td>
<td>0.623*</td>
<td>-0.345</td>
<td>0.430</td>
<td>0.0449</td>
<td>1.681</td>
</tr>
<tr>
<td></td>
<td>(0.253)</td>
<td>(0.191)</td>
<td>(0.311)</td>
<td>(0.0431)</td>
<td>(3.782)</td>
</tr>
<tr>
<td>Shares in World Bank (GDP weighted)</td>
<td>0.608</td>
<td>-0.324</td>
<td>1.227</td>
<td>0.370*</td>
<td>-29.31</td>
</tr>
<tr>
<td></td>
<td>(0.862)</td>
<td>(0.624)</td>
<td>(0.820)</td>
<td>(0.183)</td>
<td>(20.68)</td>
</tr>
<tr>
<td>Exports</td>
<td>0.00538*</td>
<td>-0.00149</td>
<td>0.00480*</td>
<td>0.00193**</td>
<td>-0.122</td>
</tr>
<tr>
<td></td>
<td>(0.00235)</td>
<td>(0.00334)</td>
<td>(0.00245)</td>
<td>(0.000610)</td>
<td>(0.0757)</td>
</tr>
<tr>
<td>Distance from Beijing</td>
<td>-0.732***</td>
<td>-1.078***</td>
<td>-0.540**</td>
<td>-0.0382***</td>
<td>30.03***</td>
</tr>
<tr>
<td></td>
<td>(0.138)</td>
<td>(0.298)</td>
<td>(0.168)</td>
<td>(0.0998)</td>
<td>(3.871)</td>
</tr>
<tr>
<td>FTA with China</td>
<td>4.298***</td>
<td>1.668</td>
<td>4.130***</td>
<td>0.350</td>
<td>-46.62*</td>
</tr>
<tr>
<td></td>
<td>(1.053)</td>
<td>(1.071)</td>
<td>(1.168)</td>
<td>(0.233)</td>
<td>(19.71)</td>
</tr>
<tr>
<td>Net Official Development Assistance</td>
<td>-0.000156</td>
<td>-0.00159</td>
<td>-0.000110</td>
<td>-0.000751</td>
<td>-0.0000500</td>
</tr>
<tr>
<td></td>
<td>(0.000203)</td>
<td>(0.000867)</td>
<td>(0.000248)</td>
<td>(0.0000591)</td>
<td>(0.00848)</td>
</tr>
<tr>
<td>UNGA vote convergence with US</td>
<td>0.00757</td>
<td>-0.154</td>
<td>0.0128</td>
<td>-0.00441</td>
<td>-3.796***</td>
</tr>
<tr>
<td></td>
<td>(0.0635)</td>
<td>(0.113)</td>
<td>(0.0617)</td>
<td>(0.0102)</td>
<td>(1.443)</td>
</tr>
<tr>
<td>UNGA vote convergence with China</td>
<td>0.0523</td>
<td>0.0412</td>
<td>0.0296</td>
<td>-0.00186</td>
<td>-5.110***</td>
</tr>
<tr>
<td></td>
<td>(0.0428)</td>
<td>(0.0810)</td>
<td>(0.0438)</td>
<td>(0.00496)</td>
<td>(1.360)</td>
</tr>
<tr>
<td>Constant</td>
<td>-1.800</td>
<td>3.991</td>
<td>-2.135</td>
<td>0.599</td>
<td>637.7***</td>
</tr>
<tr>
<td></td>
<td>(4.439)</td>
<td>(8.172)</td>
<td>(4.241)</td>
<td>(0.593)</td>
<td>(138.5)</td>
</tr>
<tr>
<td>σ</td>
<td>84.15***</td>
<td>84.15***</td>
<td>84.15***</td>
<td>84.15***</td>
<td>(8.721)</td>
</tr>
</tbody>
</table>

Note: Standard errors clustered by country in parentheses.
Statistical significance is expressed as * p<0.05, ** p<0.01, *** p<0.001.
Our regression results indicate that countries with larger exports were associated with AIIB membership, as joining the AIIB provided a way to enhance business and export opportunities for their companies in Asia and beyond. Confirming our findings in Table 5a (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 (see Tables 4 and 5a, column 5) – this variable was insignificant across all our regressions.

The association of AIIB membership with higher levels of FDI received from China and the existence of a free trade agreement (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 the AIIB proposal was initially raised by China in a bilateral meeting, where both sides agreed that being a founding member of the AIIB would be desirable considering the importance of a pre-existing FTA. The FTA variable further suggests collaboration with China to be associated with latecomer countries (model 3), akin to our findings in Table 5b (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 for following China’s lead. But vote convergence with the US shows similar results, which suggests that overall, our findings of relatively lower importance of this aspect in Tables 4 and 5b (column 4) are confirmed.

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116 Interview U4.
All these findings enhance our confidence in the applicability of goal heterogeneity as one aspect explaining for AIIB membership, with various economic and economic policy considerations plus regional proximity being significant across multiple different models. Yet, we find very limited evidence that contested multilateralism was 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), with this variable being insignificant in the other regressions. This provides additional confirmation to our findings in Tables 4, 5b (column 2) and 6 that countries of all types viewed the AIIB as complementary to other MDBs. If contested multilateralism was a serious reason for joining the AIIB, we would have expected countries with fewer votes in the IBRD to have an association with membership. That voting behavior in line with China in the UNGA had no association with AIIB membership in most regressions and some association with members that joined early (model 5), provides further evidence that countries announcing their participation early either supported or were indifferent about the notion of the AIIB as a vehicle for competitive regime creation, while it delayed participation of countries opposed to this idea. In sum, regardless of any initial intentions, once both early-movers and latecomers had expressed their interest in membership, the AIIB did not shift the focus away from the World Bank-centered order of international development finance, and it was set up to complement rather than compete with existing MDBs.

**Explaining AIIB founding membership**

Figure 2 summarizes the processes through which countries made their decisions to join the AIIB. The graph illustrates the heterogeneous goals countries had for joining the organization. Founding members did share a few general goals and interests, including a belief in the value of the public good to be offered by the AIIB and the organization’s role as a complement to other MDBs. But other goals varied significantly by country category (region, income and timing of
Countries joined to seek different issue-area functional gains from membership—developing countries to obtain funds for infrastructure development while Western advanced economies eyed various economic opportunities. Moreover, enhancing relations with China was an important political goal to join the AIIB, especially for Western advanced economies. AIIB membership was therefore not only conditioned by the organization itself but is also a result of secondary considerations about the global political and economic environment. Finally, while most countries sought greater political influence within the AIIB, the nature of this influence also differed by type of country. Developing countries appreciated the greater powers and voting share they would enjoy in the AIIB compared to their status in other MDBs, and Western advanced economies sought influence to steer the organization in a desired direction whilst containing China’s powers within the organization. China played an important role in establishing goal heterogeneity by offering Western countries economic opportunities from the AIIB, good bilateral relations and greater influence in the organization. In combination, this heterogeneity of joint and differential country-specific goals forms an important explanation why an exceptionally large number of countries—by now more than the entire membership of the ADB—agreed to join the AIIB.

Compared to 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 little if any direct implications for national security, especially once concerns about contested multilateralism and organizational design were 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 US and Japan, respectively, found it impractical and too much of a stretch to join the AIIB.

Theoretically, goal heterogeneity has strong resemblance with the concept of preference heterogeneity in the rational choice literature. The notion of preference heterogeneity originates
from the idea of variations in consumer tastes, but has in other contexts referred to broader beliefs and even objectives. These preferences then produce individual utility-maximizing choices that collectively result in an overall outcome. In IO theory, it has been suggested that preference heterogeneity of member states within an organization complicates decision-making in IOs, 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 would incorporate itself fully in the financial system. Yet despite possibly different preferences, a way was found in which many countries joined. This is because each individual country had a set of goals that made it want to join – resulting in heterogeneity of goals in fact becoming conducive rather than a hindrance to the outcome of a large AIIB membership. Goal heterogeneity might therefore constitute a related, but not quite equivalent concept.

The rational choice literature is too complex and widespread to give it full justice at this juncture and future research will need to further explore 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, certainly fits well with this context. That states are assumed to be rational or boundedly rational, and self-interested actors, seeking to achieve their individual goals in the international system, can be seen as applicable to our case of AIIB accession. In fact, initially

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119 Fritz W Scharpf, *Games real actors play: Actor-centered institutionalism in policy research.*
120 Andrew H. Kydd, 'Methodological individualism and rational choice.'
121 Duncan Snidal, 'Rational Choice and International Relations,' in Walter Carlsnaes, Thomas Risse and Beth A. Simmons eds. *Handbook of International Relations* (Sage Publications, 2002), Andrew H. Kydd, 'Methodological individualism and rational choice.'
most states were boundedly rational and possibly unaware of all the goals they had for joining the AIIB, and to reduce such uncertainly they relied on exchanges of information among states and design convergence, which we will discuss next.

Indeed, a pure focus on goal heterogeneity would be too static to fully explain AIIB membership. Other countries likely held similar goals but did not join, and the particular dynamics over the relevant period in 2014-15 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 (see Figure 1), and our concrete findings of meetings, coordination, consultations, persuasion and mimicry of government decisions indicate that processes of diffusion among states facilitated governmental decisions to join the AIIB. The insights gained from other countries on the merits 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, including the conclusion of international treaties, and the categories from this literature offer insights on the


diffusion of short-term one-off decisions to join an IO. Four types of international policy diffusion are being distinguished: emulation, learning, competition and coercion.¹²⁴

Emulation refers to the adoption of socially desirable policies from one country to the next that were recommended by experts or specialists,¹²⁵ which resembles the “expert-theorization” about the need for more infrastructure and connectivity financing in Asia that coincided with the establishment of the AIIB (see Tables 4 and 5a, column 4). “Follow-the-leader” behavior, which we have observed vis-à-vis China (see Tables 4 and 5b, column 4), has also been referred to as emulation. Learning refers to the alteration, updating or change in confidence in policymakers’ specific beliefs as a result of observations of policy intentions or practice in other countries.¹²⁶ 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 on 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 followed swiftly with their own membership announcements.

¹²⁵ Beth A. Simmons, Frank Dobbin and Geoffrey Garrett, 'Introduction: The International Diffusion of Liberalism.'
¹²⁶ Ibid.
Figure 2. Framework explaining AIIB accession

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Within AIIB region</th>
<th>Outside AIIB region</th>
<th>Low- and middle income</th>
<th>High income</th>
<th>Early members</th>
<th>Latecomers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dependent variable: AIIB founding membership</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Design convergence required by</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Few countries</td>
<td>Most countries</td>
<td></td>
<td></td>
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<tr>
<td>Emulation Learning</td>
<td></td>
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<tr>
<td>Emulation Learning Competition</td>
<td></td>
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<td></td>
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<tr>
<td>Support public good of infrastructure funding*</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Complements other MDBs*</td>
<td></td>
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<tr>
<td>Influence in the bank*</td>
<td></td>
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<tr>
<td>Business opportunities*</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Obtain AIIB funds*</td>
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</tbody>
</table>

* Denotes significant difference to reference category adopted from Table 4
+ Denotes high overall count (more than 30% in Table 5)
By spreading discourses of 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 position vis-à-vis membership in the AIIB, many countries found the resolution of questions related to IO design to be an important prerequisite for their final decision to join the AIIB. This was particularly important for Western creditor countries concerned that membership 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 when 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, in which many countries consecutively confirmed their intention to join the AIIB.

Rational design theory has provided some insights on 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, where aspects of bargaining are membership, issue scope, centralization, control and

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flexibility. For example, Latin American countries and their diplomatic partnership with the United States had an enormous impact on the outcome of the negotiations for establishing the Bretton Woods Institutions. Accordingly, Western countries’ ability to bargain 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 in the AoA negotiations for the AIIB.

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 theorization on the demand-side of IO membership to complement the current strongly supply-side-focused literature. Yet, we do not suggest our categories to be purely demand-side focused, just as the supply-side literature does consider aspects of demand. Without doubt countries supplying and demanding an IO interact with each other, and we have found that the supplier of an IO can influence the demand-side by pro-actively creating demand for the organization.

In particular, we observed how China created 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 for the establishment of a credible organization with 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

128 Jon Pevehouse and Inken von Borzyskowski, 'International Organizations in World Politics.'
130 Beth A. Simmons and Lisa Martin, 'International organizations and institutions.', Jon Pevehouse and Inken von Borzyskowski, 'International Organizations in World Politics.'
agency was vital in making Western countries participate in the initiative as without granting them such agency, goals would have remained homogenous among fewer founding members, membership decisions would not have diffused among Western advanced economies and design not converged to accommodate the interests of Western countries.

The importance of such induced agency is even more apparent when considering the membership outcomes in 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 involvement in the BRI they would need to fulfil their individual goals, and there is much dissatisfaction about the BRI’s design, including low standards and debt problems. In other words, there was no similar induced agency granted to Western countries in the case of the BRI.

Another example is the NDB, where restriction of membership to the BRICS countries minimizes the extent of preference heterogeneity that could bring in more creditor countries. The AIIB is therefore an insightful case in which 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, it interacted constructively with the evolving demand for membership in the organization, including by granting agency to financially powerful countries.

**Concluding remarks**

Western advanced economies decided to join the AIIB as founding members because they were granted induced agency by China in the process of creating the AIIB. The process by which they joined the organization was affected by the goals countries wished to fulfill through their
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 22nd, 2015, at the last CNM in Singapore, the AoA of the AIIB were formally adopted, after several months of intense negotiations among founding members,131 which completed the process of design convergence. The final signing ceremony took place on June 29th, 2015 in Beijing, and the bank was launched in December 2015. As a result of design convergence, the AIIB is well integrated into the existing structures of international development finance and has since collaborated intensively with the other MDBs on project financing.132 Given the harmonious way in which the AIIB eventually integrated with the existing system of MDBs, a focus on questions of world order, values-based preferences for China and competitive regime creation appears unsatisfactory in explaining widespread membership in the AIIB. With two well-funded and internationally active national development banks, China does not require an AIIB to finance infrastructure projects abroad. What the AIIB could offer China is enhanced international recognition and soft power, something that is better achieved through an AIIB that has a high and diverse membership and is integrated into the international rules-based system.

The question of whether the case of the AIIB, and our analytical framework more broadly, can be generalized to other instances of MDB or even IO accession remains. The concepts we developed through inductive research might not have equal weight in the decision to join other organizations. For example, the goals for joining other non-bank organizations might be more homogenous among countries. There might be less need for international deliberations and consultations if the context of the organization’s establishment is less controversial than has been

131 Interview K8.
132 Natalie Lichtenstein, A Comparative Guide to the Asian Infrastructure Investment Bank. Ian Tsung-yen Chen, 'China’s status deficit and the debut of the Asian Infrastructure Investment Bank.'
the case with the AIIB. Additionally, while countries would only join those newborn organizations that have an organizational design they can accept, their ability to influence the constitution of an organization will depend on the timing of their decision to participate. Design questions were of particular importance when the founding members joined the newborn AIIB, given controversies surrounding its establishment and the fact that it was still a nascent institution at that time, but in other cases, countries might join banks or IOs that are more mature and less controversial. Finally, induced agency is applicable primarily to the context of an emerging power seeking to involve established status quo powers in the creation of an organization it proposes to lead. Yet, despite variations in context, we propose that all our concepts should be considered for the analysis of membership in other newly created organizations.

Future research should advance the conceptualization of goal heterogeneity, decision diffusion and design convergence. For goal heterogeneity, this research could involve further specifying and organizing categories of goals, such as shared vs. country-specific goals, IO-relevant vs. tangential goals, widely applicable vs. issue-area specific functional goals. The potential offered by rational choice theory to better understand this concept could be further explored. Future research could expand the examination and categorization of the different mechanisms of decision diffusion, potentially using the concepts of emulation, learning, competition and coercion from the literature on international policy diffusion. For 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 measure the agency countries have in the establishment of an IO. In sum, there is scope to further develop the demand side of IO membership decisions conceptually and theoretically. The concepts developed in this study might
provide a useful starting point for future empirical and theoretical examinations of individual countries’ IO membership decisions.