Thank you Professor Shin, Professor Fingar very nice to be back in Stanford. I spoke here I think to students and the faculty members, 20 years ago. I missed them, I think one number of the students with whom I talked to became parents and their parents became grandparents. So this is very good and to see the young people coming up and doing wonderful things. I’m sorry Professor John Taylor, tried to see me but I couldn’t see him because he’s in a four-day meeting. But let me tell you I have two friends here, Larry Greenwood and I think it’s a waste of your time because you listened to me during lunch.

Now you made my life very harder because I have to change it right? Otherwise I read it from the same notes script. Now Mr. Larry Greenwood was my friend, we worked together in ADB as Vice-President, and Professor John Taylor was the undersecretary for International Affairs. We were in Suzhou having the APEC meeting, China was the host and we worked very hard with all this APEC members and next day we went back to Beijing to prepare for the SEC meeting, joined US China Economic Committee Meeting. Which is now the SED dialogue and the Professor Taylor was at that time the under secretary. So I dealt with Larry first and then I dealt with Professor John Taylor and we had a very good meeting.

So after the meeting was completed I saw them off to the airport and I went back to attend the reception hosted by the US Ambassador to China. So what could I say, I said you know we had a wonderful meetings between our two teams US-China should work together. I said, I believe as long as the United States and China work together there could be peace and prosperity in this world and if there is peace and prosperity what else can you expect of this life? Hours later September 11th, terrorist attack happened in New York. I was why some time ago, now you see this time when I came it seems that the world trade seems to be imminent and I almost hear its raging. So what could we do? Sit down and talk, whatever may happen in this world.

The war between US and China should never ever happen and this is my belief. I remember, I know the US has quite a number of problems with China in terms of trade, but what people don’t know is US is running trade surplus against China in service. Yes, in terms of the other goods, US is running trade deficit against China, but if you go deeper and if you look at the better you will find it. Because China is in the global supply chain, more than 50 percent of trade surplus against United States accrue to other countries in this world and most of them are US allies. So if you hurt China you’re hurting your allies. So because of the interdependence between so many countries in this world it’s very hard for you to start a trade war.

You must understand first who you are aiming at, who’s in your cross hair, are you going to shoot at some part of your own body? Because you never know who you are shooting at. So I think it’s very important for us to understand. Before you start a war you have to know who’s your enemy, your enemy might be right here, right? So sit down and think about it, have some very candid frank conversation. I remember I was in Washington a couple of years ago attending the US-China Track II Dialogue.
And the former Vice-President Joe Biden was there and he say you know, “I’m Irish, I love Irish poetry.” And then he started to quote WB Yeats, Easter 1916 and he quoted, “All change, the change that utterly a terrible beauty has been born.” He was wrong, a terrible beauty is born, but I was too polite to say you have a problem, but anyway it doesn’t make a lot of sense, a terrible beauty has been born. You cannot argue with WB Yeats whether he is right or you are right, and I think probably Vice-President Joe Biden was right: a terrible beauty has been born. Now, what is terrible beauty? Terrible could be horrible and could be awesome, formidable and I did check Webster’s library probably, should be formidable.

A beauty is terrible is formidable and I think any beauty is formidable, right? Globalization, advanced technology, artificial intelligence, could all of them be terrible beauty. Maybe one of these you’re not giving instruction to the robot you are being given instruction by the robot, it could happen. But some people who are sick, who are bed ridden and you’re taken care of by the robots, who orders whom? You never know. So you need to handle all these challenges in today’s world.

So don’t blame globalization, blame yourself if you seem to be losing out to a certain extent. But actually nobody is really losing out in this world, it’s I think a relative gains probably you seemed to be doing better 10 years ago, 15 years ago. Now, you find you might not be doing as well as the Jones, right? They catch up and they’re doing better than you. So it’s relative. How about the United States?

In the Chinese side people say, “Hey how much money have the Americans made from China, they invested in the Chinese banks after listing, they got so much money out of it.” And the Morgan Stanley got so much money out of the CICC; I was the chairman of that. And the Chinese say, “Hey, Hey the Americans make so much money for every $100 we make only 10, Americans 90.” I say, is it really that bad, if that’s so then why don’t you stop? You don’t trade at all. No, that’s terrible because we cannot make money from the Americans; Americans say we cannot make money from the Chinese.

So I think people tend to look at some part of the picture, the very narrow they don’t look at the whole thing. So this is something we have to understand. Now, let me come to the creation of this bank, Asian Infrastructure Investment Bank. President Xi Jinping proposed the creation of this bank in September 2013, in Bali, Indonesia during the APEC meeting, here at another APEC meeting. And when he proposed the idea of setting this bank focusing on infrastructure investment, it so happened that President Obama was not there, John Kerry the Secretary of State was there. So after President Xi spoke, he leaned over and talk to President Xi, “We are interested.”

This is what he said, “We are interested.” And starting from early 2014, we really had the negotiations; we called them negotiations by the chief negotiators to discuss the creation of such a bank. And some of my very good American friends, since we are friends we could be very candid. So they asked me, “Mr. Jin why do you want to set up this bank?” Of course, there’s a need. What do you really want?
I said, “What do we really want? We want a bank, we want a bank which is intended to support infrastructure investment.” Because given the Chinese experience over the last four decades and so many Asian emerging market economies, we all understand infrastructure paved the path for sustained social and economic development, right? And when you have economic development, poverty reduction, environment kind of thing can be taken care of, because we all know for poor people if they’re worried, if they live on marginal land and if they’re worried about next days breakfast they would not be worried if they have to cut down the trees or just to make a living. But if people are better off and they know how to protect environment. So it’s an issue of vicious circle of virtuous circle. So I said, “We just want to have an infrastructure bank.”

So this reminds me of the lines of Walter Whitman, the American poet in his “Song of my Life,” in the Leaves of Grass, he said, “All truth waiting all things, they neither hasten it or resist it. They do not need obstetric forceps of the surgeon, they will just come into this world.” And this is what American poet Whitman says. So even when the World Bank, ADB, EBRD, all these banks doing wonderful things promoting development over the last seven decades or half century. In the 21st century we need a new type of development bank with a 21st century governance to do something which probably the existing MDBs can’t afford to do because of lack of resources, because of their special focus on some of the things. So the _____ of a new institution is there.

And then what kind of this development should be created? We understand it doesn’t make sense for us to work on a template of the existing ones. It doesn’t make any sense for us to clone a world bank, clone EBRD, ADB, no matter how wonderful these institutions are. We need just a new one, which will fit into the niche of the 21st century. And what are the new features? When we designed this bank we have some very clear ideas about what this bank should be.

First of all, it’s going to be a development bank. Multi-lateral development institution, which means the shareholders are the sovereign governments. So most cases sovereign governments except a few exceptions like Hong Kong, or in the future Taiwan. And this is the basic fundamental feature. So we want this bank to stay in the gene pool of multi-lateral development banks. But this new institution, new kid on the block should have it’s special features.

What do you mean by 21st century governance? We would like to see that this bank would be open inclusive, by being open we would embrace the whole world and we work in all of the countries which need us and we would be willing to communicate with NGOs, CSOs, all the stakeholders and inclusive. Any member of the World Bank or ADB could be members of this bank, why? Because you know if you want to be a member of the World Bank or ADB you have to be member of International Monetary fund, right? So that you’re macro economic situations policies would be reviewed by the _____ to show whether it makes sense to pour money into your country. So more or less to say it should be different.
Normally, a regional bank is confined to doing business in its own region, like ADB, 67 members or EBRD, 40 something and the World Bank is the World Bank. So we are open, we can accept any members of these two institutions. Now we have 86 and our members are from all of the continents except Antarctic. And North America, two big countries, Canada is our member. Then this bank should be in our basic principle lean, clean and green. Being lean, we don’t want to have such a bureaucracy, because you see bureaucracy normally would develop as an institution starts to age.

So probably early in the days it’s very easy to be lean, but when you develop over time, probably redundancy would accumulate and the institution would be unwieldy. We try very best to make sure we will remain lean and we should try by every means to avoid institutional obesity, and clean, zero tolerance of corruption. Now when the Chinese started to set up this bank, questions were raised Chinese my goodness this bank must be very much corrupted because they see there are lots of corrupted officials in China. And how do you know there are lots of corrupted officials in China, because the Chinese government is cracking down corruption. Oh then I got this logic, if the government is not cracking down on corruption, there’s no corruption in the country, is that right? Do you buy that logic?

Of course not, but why when the Chinese try to set up this bank, you look at us in such a kind of suspicious way. When I have something I have the bragging rights, I have something to brag. Now Nick, you can testify whether I’m telling the lies or when I’m wrong. I was in charge of the world’s banks lending to China for 30 years. Not a single one in the Chinese Mutual Finance was put behind the bars, not a single one was involved in any corruption. Over $500 billion dollars of lending we set up the system.

Nobody should put one cent from the world banks money into your own pocket. That’s my bragging rights. 40 years ago when I was posted to the World Bank after I finished my graduate studies, that was in 1980 almost 40 years I was assigned to the World Bank’s executive directors office. Indeed, I stayed for a good ten years in China’s rural areas working on the land. I have yet another bragging right, I cannot grow anything patty rice, cotton, wheat, I can’t do anything for ten years. So you know financially hard up, but then in 1980 I was posted to World Bank before I hop on the aircraft that was Pan Am, Pan Am air is no longer here.

My grandmother at that time who was over 70, she passed away last year at the age of 110, okay? My grandmother from a very wealthy family in China, but you know I was not doing financial work because being a poor, young man in rural China is not kind of promised for financial comfort. And then what she learned about my work in the United States in World Bank she was very happy, very proud of her grandson. But then she said, “My grandson, keep this in mind from now on you have two pockets. One pocket is for the public money; another pocket is for the private money. Don’t ever move a single cent from the public pocket to your private pocket don’t mix them.” I never ever forgot about her words.
So I think when we start to create this bank, when we recruit the best of talents with moral and professional integrity, you should have some confidence, zero tolerance for corruption; that’s clean and green. We promote a green economy, so this bank should be new and to be new in a very special way, which means we should try to pick up all the pluses of the existing institutions and then improve on the basis of the institutions experience to do something better and to fit into the niche of the 21st century. The big question, who would be the members of this new bank? Who would be interested? And our leader was very clear we must get the developing countries joining: the United States, Japan, European countries, they should be part of this family. I think this is sensible, if China started a bank, China would be the biggest share holder and then you look back, those who follow you are only poor economies waiting for money, now how can you handle it, you know?

So we must have the best of the guardians to make sure that this bank would abide by the high standard. This high standard the so called international best practice, must reflect not just developmental experience of Western countries but also the experience gained by China, by so many Asian countries in there as well. So in our definition, the international best practice is the combination of experience of both developed and developing countries, that’s what we aim at. So we try to invite, which is much nicer word than lobby right? Countries to join this bank, which is going to be created, but it is such a hard work. You know in 1960, when Japan wanted to set up ADB, which met fierce resistance from the United States, but finally they reach an agreement.

Okay, the Americans said, you want to have this bank? We should be equal in terms of voting power, Japan agreed and then the Americans should have a permanent Vice-President position, Japan agreed and the understanding is the president should always be Japanese, agreed. But even so it’s so hard, initial registered capital is $1 billion dollars, 1960. So Dr. Chino the president of ADB who passed away a couple of years ago, he was the first Japanese president to accept a Chinese national. I was the first Chinese national to be the Vice-President, at the time when Japan-China relationship was in Ice Age. Still in Ice Age, it’s thawing right?

It’s getting better don’t worry. So at that time I was accepted by President Chino to be the Vice President of ADB and then he told me because we are very personal, we are very good friends right? And then he said, “You know Mr. Jin in 1960” – because he was one of the architects of the constitution of ADB – he said, “In 1960, we had to fly to European countries inviting them to join the bank,” you know why? Japan was still very poor, Japan did not have much money. So we flew out to European countries to invite them to come and then we have this ADP. And if you look at the voting structure of ADP you will find the Asians only account for 40 percent of the shares, if Japan stays with the ADP and the Asian countries the majority shareholder.

If Japan stays with the European or America, they are the majority. But he said, “We needed money.” That was 1960s, so I got this information and very proudly I told the Europeans, “This time the Asians come to you again for a new bank, not for your money.” Okay, this time we come to you not for your money, for what? For your ideas,
for your standards, for your talents, for your input in creating a new bank, but of course you have to put in some money if you don’t put any money how can you be a member? Don’t worry about money, China chip in 50 percent, early and then when all the countries come in China will reduce shares, but that I think stayed most quoted out of context.

Everybody said China wants to have a 50 percent of share in this bank, how can we handle? And please I said, initially if there was not enough money China would be willing to pay 50 percent when new members come in China would be reducing shares, but when you see people quote you they forget about most important of your points, be careful right? So anyway, finally we seem to be winning over some of the people and certainly governments and standards and this kind of thing. But I know these people in China we have a saying, “Be careful don’t jump on the boat of the robbers.” Even if you are not robber, but if you jump on the boat of the robbers, the boat is moored to the shore but eventually the boat will move into the center of the lake and you’ll find yourself with the robbers, your reputations completely destroyed even if you say I don’t rob anybody. So I thought I understand you are very much worried about that, this is not a boat of robbers; okay this is a very nice boat and no robbers, all ladies and gentleman.

I told you Europeans you all know Goethe the German great writer and he wrote Faust. In Faust you know Faust find one day Mephistopheles the devil is in his office and then he chatted and talked, the one had kind of a contract and then Dr. Faust said get out. But Mephistopheles said, “Okay I will get out,” but then he saw a charm on the door. He said, “because of charm a devil cannot get out.” Jump out of the window, even devils follow a regime. We come in through the door we go out by the door, so he said, “Entry is our choice for exit we are enslaved.”

So I said, entry your choice, for exit you’re free to go but I can assure you will never ever want to go okay? Certainly this is not a pressure boat, you’re not going to enjoy your life you have to work, it’s a workboat. So finally, we agreed 57 countries; it took us about less than 20 months to agree on article agreement. How could we achieve this? Because we were all on the same page about the standard of this bank. There were some legitimate concerns of this because is this bank going to cut the ground underneath the feet of the world bank or ADB, is this bank going to make loans to the total neglect of environmental protection social issues, human rights, so called safe guard policies?

And if that’s the case then the World Bank ADP cannot compete with it because you don’t want to race to the bottom and we’ve told them that’s not the case we had rounds of rounds of discussions about setting the safe guard policy of this institution. So for the first two years we managed to make a loan in the amount of $4.2 billion US dollars. Most of these loans were co-financed with World Bank and ADP and EBRD. If we were not on the same standard, it’s not possible for us to have this kind of cooperation. So people are now much less concerned, they do not now think this is going to be a rival. You know why?

Because we are focused on infrastructure development, infrastructure projects by their very nature are large. It’s easy for you to go over $1 billion dollars, it doesn’t make any
sense for one institution to put all of their resources in one and same project. So we need partners, we need partners to work together. The project we work together with World Bank and other institutions, like we call it TanAp, the Azerbaijan, Turkey, Gas Pipeline going all the way eventually to Italy and the Southern European countries. That is very important for the energy security, the total amount is $8.6 billion US dollars. World Bank put in $800 million dollars and we put in $600 million dollars.

For a hydro project in Pakistan this is not to build a new dam, it’s reinforcing the dam and upgrading the turbines and also transmission lines and that would cost more than $4 billion US dollars, so we take care of that. So you see it makes a lot of sense for us to work together, but in design institution there are two or three special features. One, as I said we are open inclusive. We recruit professionals from across the world; we don’t look at their passports we look at their track record, their professional, ethical integrity. So we have Americans working in our institution in [ ] in [ ], you might stand up and show who you are. [Applause] He is in my office, president’s office.

So an Americans already in the nervous center of AIIB. You see at this moment we have 150 people on the pay roll, from how many countries? 36. We have Japanese, we have Americans, we have Nordic countries, Europeans and many Asian countries. So this is the first feature. And the second is international competitive bidding for procurement.

Most of the MBDs have the policy that only the companies of the member countries are eligible for participating in international competitive bidding. Not for us, any company, you many be pleasantly surprised to know that New York Bank Mellon is a dollar clearing bank of this institution. And we work with many Americans financial institutions, we have them manage our funds, resources, if they are good why not having these people work for you? So we are very open, very inclusive. Another new feature is we don’t have the resident board, the breadth of institutions have the resident board. In all those institutions which were created patent on them all have resident board.

If you read the biography of John Maynard Keynes you will find in Book Three, Volume Three, he debated the US representative Harry Dexter White, about this so-called residency of the board. Keynes didn’t want to have the resident board, but the US side Harry Dexter White wanted to have the resident board and then it became the pattern okay? I would say when the [ ] institutions were created in those days, I think it made a lot of sense because there was no such kind of easy tele-communication and it’s not easy for the executive directors to report back to the authorities and to give their instructions so it made a lot of sense. But today with the click of a mouse you know you have access to everything. No private sector companies have resident boards that meet four times a year. So we have now resident board.

Normally, the cost of the resident board would be 20 percent of the entire budget every year, 20 percent. So we don’t have that but what is most important is to take advantage of modern technology, to keep the board members fully engaged as if they were right on the premises, right on the premises. So I said our board members can happily stay at home with their wives and children, but at the same time they have full access to information of
this bank, isn’t it marvelous? So this is one thing and we can save 20 percent of the resources. Another new feature is the accountability framework. In the _____ institutions the board approves everything, policies, strategies, and specific investment projects.

In the private sector, the board does not approve specific investments, that is responsibility of the management and if the management made a mistake they could be kicked out. But over the last seven decades not a single senior management member were kicked out because of the misjudgment or mistakes made in investment, why? Because they did not approve project, you approve it, the board approved. Whether project is good or bad it will take five or six or even ten years time to know when it’s good or bad. By the time you cannot find the board members who were there, the board seems like a merry go round, okay? So you cannot hold the management accountable, but you can’t hold the board members accountable either.

That is the vacuum of responsibility. Now in our institution we will have the accountability, delegation of the power by the board to the president to approve special investment projects. So when I explain this to the Western countries, I told them actually I’m asking for the trouble. Why should I have this kind of huge responsibilities on ourselves, we could enjoy a _____ life of course we will not be do some shoddy work, we will give you good projects, you approve, anything goes right it’s not my fault. But I don’t think its right way; we should have true accountability. So we now agree with the board starting from next year, 20 percent of the project would be approved by the management, but later on we would have more and more projects approved by the management.

The first project, the first country, the first project, first sector were projects over certain amount would be approved by the board. But ultimately, I think for some very large projects we would have the board approve if they like. So we could be efficient and each and every member in the management must really be careful because you would be held accountable, and this is a new feature. I said there’s nothing new about it, private sector companies have been practicing this for decades for centuries, why? It’s such a difficult issue to work out because people’s mindset is hardwired to the existing institutions. So it’s really very very difficult to break away from tradition.

People talk about think outside box, but it’s really hard to think outside box. You know why? Because they always stay inside the box, how can you stay inside box and think outside box? It’s hard, but when we create new institution we have this advantage. This bank covers all of the members in its operations by the article agreement. We don’t have par one country, we don’t have par two countries, any country can have financing from this bank, but we decided to focus on developing countries at least for some years or decades to come.

And I said why not invest in some of the OECD countries if they are momentarily in troubles, such as IMF, we know provide this kind of support. My definition is there are three kinds of countries in this world: emerging economies, emerged economies and submerged economies. If countries become submerged, we help them, okay? Whether
you used to be emerged. So we can support any countries, which is different from the par
one countries, par two countries system. With regard to the investment, the _____, we
invest in the infrastructure and other productive sectors.

You know I learned this from EBRD, this experience, EBRD was set up after the fall of
the Belen Wall, so the membership is limited to European countries, United States and
also Russia and it’s former republic and Eastern European countries. The membership is
very much limited and the mandate is to finance the transition from former communistic
countries to market economy. So 15 years time, mission completed, they even talked
about shutting it down, so how can they shut down a bank which is doing very well? It’s
like to strangle a teenager right, to kill a teenager when he or she has great future. So they
had to amend articles of agreement. So we learned from this, we can invest in any
country, if we invest in infrastructure and other productive sectors.

So these articles of agreements can serve us for 100 years without amendment. We
looked very far and then we have countries in Latin America, Central and South America,
Africa and Eastern and Central European countries. We have all of these members. So
people ask me what is Asian Infrastructure Investment Bank and I say, well if you look at
a.) It’s not just Asia, America, Africa. So that’s the Asia double-I-B, okay? So when we
design this bank we try to learn from the experience of the existing ones and look way
ahead into the future. Two years into operation are the Western countries happy?

Of course, otherwise, Canada could not have joined, otherwise we could not have started
from 57 to 86, this is not the boat of robbers everybody now understand it is true, right?
So in our bank we make decisions in the executive committee, I never ever call the shot. I
always allow the senior management members to have a full discussion before we reach
conclusions. Fortunately, I have never ever had to deal with a divided management team
we always find the consensus. So sometimes it takes a little bit longer and then I say,
look at this, don’t think I’m the prince of Denmark I just want to give you more time to
reach a consensus I don’t want to say let’s do it this way. I don’t think that is the right
approach.

No resolution, no decision would be made and handed down without a very democratic
discussion in our institution and this is our way of management. And we want to be a first
class institution as I said we have zero tolerance of corruption and we have zero tolerance
of sexual harassment, sexual exploitation or any misdemeanors by anybody in the
management team. So we are very proud to be able to work together with so many
countries in this world. And then last question might be, how about United States? US is
not a member and I say don’t worry about membership, regardless of your membership
we can work together. AIIB should not be another hotspot for the conflicts between US
and China. Instead, it should be a big platform for cooperation between the US and China
and this applies to the relationship with Japan. Thank you very much. [Applause]

[End of Audio]