Bankers fear Chinese push to head ADB

By Henny Sender in New York

It has long been convention that an American heads the World Bank, a European runs the IMF and a Japanese sits atop the Asian Development Bank in Manila.

But now that Haruhiko Kuroda will leave his position at the top of the Asian Development Bank to become governor of the Bank of Japan, western central bankers and academics are braced for the Chinese to launch efforts to install one of their own as Mr Kuroda’s successor.

“The Chinese have long wanted [control of] the ADB,” said Eswar Prasad, a senior professor at Cornell University and a senior fellow at the Brookings Institution.

Taro Aso, Japanese finance minister, made clear this week that Tokyo planned to fight any attempt by any other country to take the top job at the Manila-based ADB. “Japan will have to carry out election activity in order to secure the position to succeed ADB president Kuroda,” he told reporters. Mr Aso also said that Takehiko Nakao, Japan’s top currency diplomat, was among the candidates for ADB chief.

Any such Chinese push would be likely to add to tensions between the two countries, already locked in a dispute over control of the Senkaku Islands in the East China Sea. It would also reinforce growing regional anxieties about China’s behaviour, with Beijing taking an increasingly prominent role in multilateral institutions in recent years.

The International Finance Corporation, the private sector financing arm of the World Bank, recently recruited Cai Jinyong as its chief executive in an indication of Beijing’s growing profile.

One likely Chinese candidate to head the ADB is Jin Liqun, at present the chairman of the supervisory board of China’s sovereign wealth fund and a vice-president at the ADB and the World Bank earlier in his career. Zhu Min, now a deputy to Christine Lagarde at the IMF and extremely well regarded, is also seen as qualified although he is likely to prefer to remain in Washington.
While China has long used its teeming foreign reserves and its own policy banks, particularly the China Development Bank, to help its neighbours build their energy and transport infrastructure, there has been a backlash to this approach in recent months.

“Nobody [in the region] believes in the peaceful rise of China anymore,” said the head of one local bank in Hong Kong.

Beijing’s increase in military spending is part of the reason for those concerns. But so is the feeling that China’s economic relations with its neighbours are often colonial in nature, sucking in raw materials at cheap prices and then selling finished goods in return with little local investment.

Some bankers worry that if China took the top job at the ADB, it would use its position to pursue its political agenda. In the past, China has lobbied against loans to places where it has territorial claims, such as in the province of Arunachal Pradesh in northeast India, which it claims does not belong to India at all.

Staffers at the ADB respond that the Japanese used the bank to further their own agenda at a time when many Asians with memories of the second world war were uncomfortable dealing with Japan directly.

The Japanese finance ministry has regarded the post as its preserve, staffing it with senior officials from its international side who have retired, leading to complaints in many cases that the occupant was too bureaucratic. At the same time, many potential candidates for the job have been reluctant to move to Manila, regarding it as a dangerous backwater.