

Beat or Join? The Challenges of China's Asian Infrastructure Investment Bank to the US and Japan

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On January 16, 2016, AIIB declared its opening for business. Ever since its announcement by Chinese leaders in 2013, AIIB has been warmly embraced by most countries of the world. But still, neither the US nor Japan have become the AIIB members. Both of them take a rather cautious approach, viewing AIIB more as a challenge to the existing international financial order. By comparison, this paper finds that each country casts similar doubts. The US places its focal point more on 'China-led' rather than 'new MDB.' Japan focuses more on 'new MDB' instead of 'China-led,' meanwhile considering how to cope with the dilemma between the US and China. Orienting itself towards a more balanced international economic order, this paper attempts to seek a kind of positive cooperation based on the coordination of tri-lateral interests, thus suggesting the US and Japan to join AIIB as an external supervisor and internal member respectively.

Keywords: AIIB, MDB, ADB, OBOR, CJK FTA, RCEP

1. Introduction

On January 16, 2016, the Asian Infrastructure Investment Bank (“AIIB”) declared its opening for business, with Mr. Liqun Jin elected as the first President for a five year term.¹ Ever since its announcement by Chinese leaders in 2013, this new

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multilateral development bank (“MDB”) has been in the limelight of the world.² As China is progressing to carry forward its plans for AIIB, countries in the region have been responding positively to such proposal, with many pledging to join the bank.³ In addition, developed countries such as the UK, Germany, and Australia have also helped boost its rating surprisingly.⁴

Neither the US nor Japan, however, have become AIIB members yet. Both of them took a rather cautious approach, viewing AIIB more as a ‘challenge’ or even a ‘threat’ to the current international community.⁵ Nevertheless, given their significance to Asian infrastructure, the responses and concerns from the US and Japan are indisputably of vital importance to the future development of AIIB. To some extent, the divergence among the three countries on this point is the tip of the iceberg, emblematic of some of more complicated issues of the 21st century’s geopolitics arising out of China’s reemergence as a major power.⁶

Orienting itself towards a more balanced international economic order, this paper will attempt to compare and analyze the viewpoints regarding AIIB by China, the US and Japan, respectively, so as to seek for a possible coordinated way among the three nations. To that end, the paper will be divided into six parts including a short Introduction and Conclusion. Part two will describe the ground of AIIB, which embodies China’s new multilateralism. Part three and four will elaborate public and private responses to AIIB from the side of the US and Japan, respectively. Based on the comparison and analysis of the main concerns thereof, Part five will try to propose a way out to coordinate the interests among the three countries regarding the future development of AIIB.

2. The Evolvement of China-led AIIB as a New MDB

A. Background

The AIIB initiative was first announced by Chinese President Xi Jinping and Premier Li Keqiang during their respective visits to Southeast Asian countries in October 2013.⁷ As “a part fulfillment of China’s dream of national rejuvenation,”⁸ the essential intention to initiate this new multilateral financial institution is to “provide financial support for infrastructure development and regional connectivity in Asia.”⁹ Paralleling with the existing MDBs such as the World Bank (“IBRD”),

the Asian Development Bank (“ADB”), the European Bank for Reconstruction and Development (“EBRD”) and the Inter-American Development Bank (“IDB”),¹⁰ AIIB will jointly address the unsatisfactory *status quo* of infrastructure in Asia, including energy and power, transportation and telecommunications, rural infrastructure and agriculture development, water supply and sanitation, environmental protection, urban development and logistics, etc.¹¹

Table 1: Chief Negotiators’ Meetings¹⁸

Meeting	Date/Place	Participating PFMs
1st	November 2014 (Kunming, China)	Bangladesh, Brunei Darussalam, Cambodia, China, India, Indonesia, Kazakhstan, Kuwait, Lao PDR, Malaysia, Mongolia, Myanmar, Nepal, Oman, Pakistan, Philippines, Qatar, Singapore, Sri Lanka, Thailand, Uzbekistan and Vietnam
2nd	January 2015 (Mumbai, India)	Joined by: Maldives, New Zealand, Saudi Arabia and Tajikistan
3rd	March 2015 (Almaty, Kazakhstan)	Joined by: Jordan, Luxembourg, Switzerland and the United Kingdom (UK)
4th	April 2015 (Beijing, China)	Joined by: Australia, Austria, Azerbaijan, Brazil, Denmark, Egypt, Finland, France, Georgia, Germany, Iceland, Iran, Israel, Italy, Korea, Kyrgyz Republic, Malta, Netherlands, Norway, Poland, Portugal, Russia, Spain, South Africa, Sweden, Turkey, and United Arab Emirates
5th	May 2015 (Singapore)	All 57 PFMs

Source: Compiled by the author.

In the wake of its announcement, heated discussions and consultations on the nuts and bolts of AIIB have broken out bilaterally and multilaterally.¹² On October 24, 2014, representatives from 22 countries signed the Memorandum of Understanding (“MOU”) to launch AIIB, with Beijing selected as the Bank headquarters.¹³ Afterwards, the Multilateral Interim Secretariat was set up to perform relevant technical preparations as well as provide technical support for the Chief Negotiators’ Meetings (“CNMs”).¹⁴ Prior to its commencement of business,

five rounds of CNMs (Table 1) had been held by the Prospective Founding Members (“PFMs”), to negotiate and agree on the AIIB’s Articles of Agreement (hereinafter AIIB Articles).¹⁵ On December 25, 2015, the AIIB Articles entered into force as the instruments of ratification had been deposited by 17 Signatories with initial capital subscriptions totaling 50.1 percent of the shares allocated.¹⁶ After a couple of years’ effort, AIIB finally declared to set sail at the inaugural meeting held on January 16-17, 2016.¹⁷

B. Features

Promised to be “lean, clean and green,”¹⁹ AIIB joins, yet is alleged to be distinct from, other existing MDBs as being infrastructure-oriented, multilateral, inclusive and innovative.²⁰ First of all, unlike the other existing MDBs which focus on poverty reduction, sustainable development and social development, AIIB is specially designed for infrastructure investment and connectivity.²¹ In other words, AIIB would not give priority to the projects such as education or health.²² All along, Asia is badly in need of fund to develop its ‘infrastructure.’ According to the statistics of ADB, an annual of USD 800 billion for a decade is demanded to meet Asian infrastructure needs, a vast sum far beyond the combined capabilities of all international financial institutions.²³ It is in answer to such urgency that AIIB came into the World. Through “working in close collaboration with other multilateral and bilateral development institutions,” the primary aim of AIIB is to “create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors.”²⁴

Secondly, AIIB is a large-scale multilateral financial institution, in terms of membership and capital subscriptions.²⁵ By the deadline for submission of membership applications on March 31, 2015, the total number of PFSs had increased to 57.²⁶ Amongst, around 65 percent of members (37/57) are from Asia, while the rest are from the other regions of the world (Table 2). It can be seen that, four out of five permanent members of the Security Council, 18 out of 34 OECD members, all of the ASEAN, five out of six States of the Gulf Cooperation Council (“GCC”) as well as six out of eight South Asian States have all joined, indicating the popularity of AIIB to the whole world.²⁷ Accordingly, AIIB’s authorized capital stock has reached USD 100 billion, which is much larger than that of EBRD (USD 39 billion) and ADB (USD 81 billion).²⁸

Table 2: Prospective Founding Members²⁹

Region	Total Number	Participating PFMs
East Asia	3	China, Mongolia, South Korea
Southeast Asia	10	Singapore, Thailand, Malaysia, Brunei, Philippines, Cambodia, Lao PDR, Myanmar, Vietnam, Indonesia
South Asia	6	India, Nepal, Bangladesh, Sri Lanka, Pakistan, Maldives
Central Asia	7	Kazakhstan, Uzbekistan, Tajikistan, Georgia, Russia, Kyrgyzstan, Azerbaijan
Middle Asia	9	Oman, Qatar, Kuwait, Saudi Arabia, Jordan, Turkey, Israel, Iran, United Arab Emirates
Oceania	2	New Zealand, Australia
Europe	17	the UK, France, Italy, Germany, Luxembourg, Switzerland, Austria, Netherlands, Denmark, Finland, Sweden, Iceland, Portugal, Norway, Malta, Spain, Poland
Latin America	1	Brazil
Africa	2	Egypt, South Africa

Source: Compiled by the author.

Thirdly, AIIB would maintain its inclusiveness and openness.³⁰ Although the notion of AIIB was initially proposed by China, it is well acknowledged that the Bank is not China's 'monodrama.'³¹ In line with principles of transparency, openness, independence and accountability,³² AIIB welcomes all regional and non-regional countries, developing and developed countries, that seek to contribute to Asian infrastructure development and regional connectivity.³³ During the founding of AIIB, President Xi has also stressed an "open and inclusive spirit of unity and cooperation,"³⁴ indicating its *bona fides* to garner many more members from the world so that the door would remain open to current absentees such as the US and Japan.

Fourthly, AIIB will explore a new development model in an attempt to fit into a particular Asian context.³⁵ In this regard, several points of innovativeness can be found.³⁶ In terms of governance structure, in order to avoid too much bureaucracy,³⁷ different from the existing MDBs which have resident boards of directors in place to function, AIIB shall operate on a non-resident basis.³⁸

According to the AIIB Articles, unless otherwise required, a board of 12 directors shall meet at a frequency of “periodically throughout the year.”³⁹ With regard to operation, AIIB shall apply diversified means of investment and financing flexibly.⁴⁰ Initially, sovereign loans will be provided to countries for their infrastructure projects. For such projects as are not guaranteed by sovereign credit, AIIB will turn to the public-private partnership (“PPP”) model, seeking to share risk with the private sector, while simultaneously unlocking more capital from sovereign wealth funds, pension funds and the private sector.⁴¹

3. The US Response: What does it Fear?

A. Public Actions

In public, the reaction of Obama administration towards the proposed AIIB has been skeptical from the beginning.⁴² Its initial policy was deemed to block or fail this new bank.⁴³ As early as AIIB’s signing ceremony on October 25, 2014, US Secretary of State John Kerry, “welcome[d] the idea of an infrastructure bank for Asia,” but “strongly urge[d] that it [should] meet international standards of governance and transparency.”⁴⁴ Apart from taking an opposite view, the US even went further to lobby its allies and partners against joining AIIB.⁴⁵ In this regard, three folds of arguments were allegedly criticizing the bank as “a deliberate attempt to rival IBRD and ADB,” “Beijing’s geopolitical instrument to attract countries in Southeast, East and South Asia closer to its sphere of influence,” as well as incapable of meeting “environmental standards, procurement requirements, etc.”⁴⁶

Considering the fifty-seven major economies of the world including its “closest friends and allies” such as Australia, the UK, Germany, France and a host of other Western nations, however, joined AIIB one by another, Kerry’s statement was dubbed “Obama’s Failure to Pivot to Asia.”⁴⁷ Realizing itself in such a ‘diplomatic disaster,’⁴⁸ President Barack Obama, at a joint press conference with Japanese Prime Minister Shinzo Abe on April 28, 2015, attempted to turn its direction towards the new bank with the belated words of “we’re all for it,” as long as AIIB ends up upholding high lending standards.⁴⁹ He clarified that: “Let me be very clear and dispel this notion that we were opposed or are opposed to other countries

participating in the Asia infrastructure bank. That is simply not true,” and “the US did not oppose a new infrastructure bank led by China.”⁵⁰

Yet still, it is pointed out that the aforementioned “after-the-fact elucidation” by Mr. Obama could not be taken as an indication that the US would actually join AIIB, even if the bank meets all requirements.⁵¹ To put it in another way, Washington’s next move remains unclear.⁵²

B. Private Views

In the debate over the “China-led new MDB,” private opinions have been polarized equally into “anti-AIIB” and “pro-AIIB,” with the focal point placed more on the Chinese influence in world affairs (China-led) rather than the doubts over the banking governance and standards (new MDB).⁵³

Opponents in the anti-AIIB camp mainly root themselves in the so-called ‘China Threat’ theory.⁵⁴ Given the fact that China’s economic development has grown strikingly as a world power, they argued, the creation of AIIB is a threat to maintain the American dominance in Asia and could cause a devaluation of the dollar.⁵⁵ *E.g.*, former US Treasury Secretary Larry Summers warned that AIIB would “undermine the leadership role the US has long enjoyed in global finance.”⁵⁶ They feared that the motivation to establish AIIB is to challenge the existing international financial order led by the Bretton Woods institutions, in which the US and its allies are dominant shareholders.⁵⁷

In contrast, proponents standing in the pro-AIIB camp justify themselves from diversified aspects.⁵⁸ Tobias Harris has analyzed in length the American response to AIIB. He argued that the first response of the US government to China’s efforts at creating a new multilateral financial institution should never be “how do we stop this” or “who is to write the region’s rules.”⁵⁹ Such innate hostility to the China-led AIIB would result in a zero-sum game at the expense of America’s own leadership.⁶⁰ On the contrary, it could be more optimistic towards China’s multilateral initiatives, since the US itself has already been fully aware of the difficulty for a single country to dominate such an institution.⁶¹ Moreover, the US needs to be sober-minded and prepared for the ‘emerging reality’ that “Asia is governed by overlapping clusters of institutions,” with the US and its allies on one side whereas China and the like on the other.⁶² Accordingly, if the US wants China as well as the other emerging economies to be ‘responsible stakeholders,’ it should

give them each “an appropriate stake in the existing order.”⁶³

Another representative such as Joseph Stiglitz, the well-known American economist, also sees more merit in the new MDB. Stiglitz, recognizing the serious problem of lack of infrastructure in developing countries, pointed out the overburden of the IBRD’s assistance. He also confirmed that AIIB “could bring a small but badly needed boost to global aggregate demand.”⁶⁴ In addition, it is worth mentioning of Phillip Y. Lipsky’s arguments, which support the AIIB proposal from an interesting historical and economic perspective.⁶⁵ On one hand, through a retrospection of China’s contacts with postwar international organizations, he deemed that the major Chinese foreign policy in the past decades was “to secure recognition and status in postwar international organizations.”⁶⁶ That means that when confronting international institutions, “China is more of a *status quo* power than one might expect” and “undermining the architecture is not in China’s interest.”⁶⁷ On the other hand, by observing the current operation of multilateral institutions akin to AIIB, he pointed out that “development aid is a highly competitive and fragmented policy area.”⁶⁸ Such kind of competition indicated that AIIB could be neither “overly dominated by China,” nor likely to “make a significant difference in social and environmental standards,” let alone to “undermine existing aid organizations.”⁶⁹ Based on the abovementioned precoditions, he then concluded with a thought-provoking question in the “renegotiation of the world order,” i.e., does the US prefer China to seek such by “building multilateral development banks” or by “building aircraft carriers”?⁷⁰ The answer seems obvious.

4. The Japanese Response: Dilemma in-between the US and China

A. Public Actions

Joining with the US in viewing AIIB as a challenge rather than an opportunity, Japan casts similar doubts on the new bank while also has its own concerns. In public, the Japanese government has been questioning AIIB’s governance ever since the very beginning. At an early press conference on September 2, 2014, Foreign Minister Fumio Kishida stated that Japan would consider whether or not to

join AIIB seriously.⁷¹ In this regard, three questions were pointed out, including: (1) What is the added value of another new international institution to the already existing MDBs such as ADB?; (2) Would it be able to guarantee fair governance with one country possessing such a huge equity ratio?; and (3) When providing lending regardless of debt sustainability, could it manage to avoid inflicting damage on other creditors?⁷²

Later on, when the number of countries pledging to join AIIB exceeded 50, Finance Minister Taro Aso yet continued to express his concerns over AIIB's governance, environmental and social standards, as well as consideration for debt sustainability.⁷³ On April 28, 2015 at the aforementioned joint press conference with President Barack Obama, Japanese Prime Minister Shinzo Abe also stated the stance of the Japanese government on AIIB. In spite of recognizing the tremendous demand for infrastructure in Asia, he confirmed that whether to participate in AIIB is a decision that Japan has not made yet.⁷⁴ In this link, Mr. Abe reiterated the importance of fair governance (particularly the board to review and approve individual projects), sustainability, as well as its impact to the environment and society.⁷⁵

Regarding the future move, Mr. Abe's intention was that "Japan and the US should cooperate," and both countries "need to continue dialogue with China."⁷⁶ Such a "wait-and-see"⁷⁷ approach has indicated the ambivalent position of the Japanese government in-between the US and China.

B. Private Views

In private, the "China-led new MDB" has also raised a serious concern. Standing in the dilemma between China (Asia) on one side and the US (Pacific) on the other, Japan needs to weigh and consider how to act as the dash (-) to connect into 'Asia-Pacific,' instead of creating a divide between 'Asia' and 'Pacific.'⁷⁸ Accordingly, apart from the anti-AIIB and pro-AIIB camps, there is one more interesting camp suggesting 'pending-AIIB.'⁷⁹ Regarding the focal point in debate, Japan differs from the US in that it seems to attach more attention to the banking governance and standards (new MDB) than the Chinese influence in world affairs (China-led), though a fundamental lack of trust and communication between Tokyo and Beijing due to the long-lasting historical and territorial disputes does matter.⁸⁰ The main reason may lie in AIIB's direct competition with the Japan-led

ADB in the Asian region.⁸¹

Anti-AIIB camp is more solicitude towards the details of the new bank's governance and transparency rather than arguing from a wide angle of 'anti-China' indirectly.⁸² To sum up, the aforementioned queries of the Japanese government have been further elaborated into two main straightforward concerns.⁸³ One is that, with the "dominant voting powers" in the hand of China (contribute nearly 30 percent) as well as the "absence of a resident board of directors," AIIB might be serving for China's own interests, such as for the "One Belt One Road" ("OBOR") initiative.⁸⁴ The other is that, by applying "a lenient stance towards the financial viability of projects and environmental and social standards," AIIB could gain advantages over the other existing MDBs, in particular IBRD and ADB.⁸⁵ This would then result in a malignant "race-to-the-bottom" competition regarding lending requirements.⁸⁶ Linking with such concern, some opponents suggested that efforts should be devoted to reforming the Japan-led ADB, instead of joining AIIB.⁸⁷

Conversely, the pro-AIIB camp views AIIB more positively. In general, almost the whole economic sector favors the new bank, arguing that being an outsider would be disadvantageous to Japanese businesses overseas.⁸⁸ The *Asahi Shimbun* Daily reported that quite a lot of voices have called for joining it, saying "we will miss the bus if this goes on" (このままではバスに乗り遅れる).⁸⁹ As an investigation on AIIB was conducted, the questionnaires collected from 250 middle and large scale Japanese entrepreneurs have shown that only 25 percent thereof opined: "There would be no effects if not joining/no need to join."⁹⁰ Regarding the alleged doubts on the AIIB's governance, the proponents deemed that the right way is to join the bank so as to actively improve it step by step, rather than watching it from outside.⁹¹ *E.g.*, Akio Makabe considered that, with enriched experiences dealing with international affairs, particularly the operation of ADB, Japan could play an active role in AIIB by providing various aspects of 'knowhow' including human sources, organization, operation as well as risk management.⁹² Becoming a member of AIIB could not only gain itself a voice, but also open a window to realize 'Japanese innovation' for the more harmonized international community in the future.⁹³ Concerning how to perform between 'Asia' and 'Pacific,' Akio Makabe has proposed an interesting idea: to learn from the neutral state of Switzerland.⁹⁴

Compared with the above two camps, the pending-AIIB camp takes a rather compromising viewpoint and cautiously weighs the pros and cons of Japan's participation. Therein, Masahiro Kawai suggested a three-fold proposal based on a cost-and-benefit analysis.⁹⁵ To be more specific, firstly, in the case that AIIB provides international public goods rather than pursues China's own policy objectives, plus it operates in a financially prudent manner with sufficiently high environmental and social standards, Japan should join. Secondly, if AIIB is mainly used as an instrument to realize China's own interests, Japan should stay out. Thirdly, on the condition that the above factors could not yet be fully assessed, Japan should wait and see how AIIB operates, while having IBRD and ADB assist alongside.⁹⁶ Similarly, Toshiya Tsugami and Jin Mayama also suggested pending and waiting to observe "how things go for two years."⁹⁷ During the waiting period, a kind of 'indirect cooperation' between AIIB and Japanese institutions, such as the Japan Bank for International Cooperation ("JBIC") and the Japan International Cooperation Agency ("JICA"), has been proposed to ensure AIIB on the right track and to collect the internal information.⁹⁸

5. Challenges of AIIB to the US and Japan: What is the Future?

As elaborated above, when confronting the challenges of AIIB, both the US and Japan would cast similar doubts while also having their own concerns. In a nutshell, debating over the "China-led new MDB," the US placed its focal point more on 'China-led' rather than 'new MDB'; it fears that the reemergence of China and its AIIB would undermine the long-existing leadership of the US in the world. On the contrary, Japan focused more on 'new MDB' instead of 'China-led,' worrying about AIIB's direct competition with ADB in the Asian region meanwhile considering how to cope with the dilemma between the US and China. At the current stage, both governments remain outsiders; neither has yet firmly asserted its future move towards the new bank.

Nevertheless, AIIB has been warmly embraced by most countries of the international community and already completed the initial stage of establishment. In some sense, opposition and criticism from the US and Japan were a kind of

‘negative cooperation,’ so that those have played an important role in that course.⁹⁹ Accordingly, AIIB has successfully commenced its operation for businesses since the beginning of 2016. But still, many issues await improvement and many difficulties lie ahead.

In this link, it goes without saying that, supports from the US and Japan are of vital importance to guarantee a healthy and well-functioning AIIB in the future. The author views that, along with a rich variety of channels for tri-lateral dialogues and communications continuously increasing, some misunderstandings concerning AIIB would be resolved so that the trust and consensus among China, Japan and the US would be strengthened. In that sense, a kind of ‘positive cooperation’ based on the coordination of tri-lateral interests would not be infeasible. To this end, grounded in the above comparison and analysis, and orienting itself towards a more balanced international economic order, the author would suggest that the US and Japan join AIIB as an external supervisor and an internal member, respectively.

A. The US: External Supervisor

The main concern of the US is China’s ambition to dominate AIIB thereby undermining the current international financial order. However, neither did China subjectively make an attempt at such, nor it is objectively realizable in practice. Subjectively, the AIIB initiative reflects China’s recent efforts at being a ‘responsible stakeholder’ instead of a ‘passive member’ as required by the US.¹⁰⁰ Confronting such an unprecedented task, China has been “crossing the river by feeling the stones,” changing its diplomatic policy from “keeping a low profile”(韬光养晦) to “striving for achievement”(奋发有为), so as to shoulder more responsibilities within the international community.¹⁰¹ Therein, AIIB is part of such ‘achievement,’ attempting to contribute more to the infrastructure industry as in badly need by developing countries. China’s true intention is to ‘complement’ rather than ‘substitute’ the existing MDBs. Should China aim at dominating AIIB by itself, the logical way would be to exclude the ‘major competitors’ such as the US and Japan, rather than keeping on inviting them to join. In a sense, the course of turning from a ‘passive member’ to a ‘responsible stakeholder’ has demonstrated China’s sincere endeavors to dispel the American concern. Mutually, it is also reasonably expected that the US would actively cooperate and

assist China alongside to ensure it remains a ‘responsible stakeholder’ instead of a ‘dominator.’

It is also practically impossible for any single country to dominate the multilateral institution as a whole. Even a superpower with enriched international experience as the US has not been capable of this, let alone China and other new emerging countries. A typical case is the US unilateralism versus the WTO multilateralism, particularly coming from the three big rounds of “the Great Sovereignty Debate,” “the Section 301 Dispute,” and “the Section 201 Disputes” in the 1990s.¹⁰² Indeed, the evolution of the WTO DSB itself and the increasing number of cases handled thereby have amply witnessed that the multilateral mechanism is an effective counter to unilateral hegemony. In the case of AIIB, as aforementioned by the pro-AIIB camp, it pertains to the relatively complicated field of MDBs, which is highly competitive with fragmented private and public fund resources. Accordingly, such kind of competition has predestined that AIIB could neither be dominated by a single country as China alone, nor is capable of making significantly more progress in governance and standards than the existing MDBs. In a word, it is overestimated that AIIB would undermine the current Bretton Woods system.

Provided the above trust and consensus reached, it could help alleviate the fear of the US to some extent. However, it would be almost impossible for the US to join as an internal member of AIIB without the consent of the US Congress.¹⁰³ In fact, the IMF reforms as stalled in the Congress since 2010 have frustrated China and thus unintentionally driven it to establish AIIB.¹⁰⁴ Nevertheless, the US could join as a responsible external supervisor of AIIB. Similar to an ‘independent supervisor’ in corporation law, the US could cooperate with and assist AIIB indirectly from outside, ensuring that it follows international norms and remains “lean, clean and green” as originally vowed.

B. Japan: Internal Member

Unlike the US, the main worry of Japan is AIIB’s specific governance and standards, especially its direct competition with ADB in the Asian region. Along with ADB, AIIB also aims at a partial contribution to the enormous potential market of Asian infrastructure that badly demanded. Bearing such consensus in mind, the relation between ADB and AIIB could be more cooperative than

competitive. This is not an either-or choice. The presidents of ADB and AIIB have already agreed on and planned to co-finance projects since 2016.¹⁰⁵

In this context, a direct entry as an internal member would be the appropriate way. Although AIIB was proposed by China, it is not a ‘Chinese bank,’ but an ‘Asian bank.’ Similarly, the OBOR initiative would not be just for Chinese own interest, but the whole Asian region.¹⁰⁶ As aforementioned, all of the major countries in this region have favored hence joined AIIB, even including those that are in territorial disputes with China such as the Philippines. It is well anticipated that Japan, as one of the most influential Asian countries, could also actively participate and help improve the details of AIIB, in order to clear up its concerns step by step. In particular, China and Japan could be mutually complementary in terms of governance. On one hand, China’s courage and audacity could help break the deadlock by a renovation at the macro level. On the other hand, on top of its abundant experiences in operating multilateral institutions, Japan’s prudence and deliberation could contribute to a comprehensive consideration of matters at the micro level.

Furthermore, should a well-performed cooperation between China and Japan be realized within AIIB, it would serve as a successful example of enhancing mutual trust to gain more achievements at higher platforms of Asian regionalism, such as China-Japan FTA, China-Japan-Korea (“CJK”) FTA, or even Regional Comprehensive Economic Partnership (“RCEP”). Accordingly, to join directly as an internal member of AIIB has a profound meaning in a broad sense to help obtain the Asian voice in restructuring the international rules.¹⁰⁷

Multi-polarization is the inevitable tendency of the future world to rebuild the international economic order on the basis of coordination among the US and new emerging countries. AIIB is just a beginning. Hence, it would do no good for Japan to just wait and see, but should actively participate therein. Just as the saying goes, “May I ask where the path is? It is where you take your first step.”

6. Conclusion

On January 16, 2016, AIIB declared its opening for business. Ever since its announcement by Chinese leaders in 2013, AIIB has been in the limelight of

the world. Aimed at contributing to infrastructure development and regional connectivity in Asia, AIIB is distinct from other existing MDBs as being infrastructure-oriented, multilateral, inclusive and innovative. While China is carrying out forward its plans for AIIB, countries in Asia as well as all around the world have been responding positively thus joined it. As of July 2016, the total number of PFSs has reached 57.

However, neither the US nor Japan have become AIIB members yet. Both of them took a rather cautious approach, viewing AIIB more as a ‘challenge’ or even a ‘threat’ to the existing international financial order. Now, both governments still remain outsiders, and neither has yet firmly asserted its future position towards the new bank. While casting similar doubts on the new bank, each country has its own concerns. Debating over the “China-led new MDB” heatedly, the US places its focal point of contention more on ‘China-led’ rather than ‘new MDB.’ It fears that the reemergence of China and its AIIB would undermine the long-existing leadership of the US in the world. Private opinions have thus been polarized equally into anti-AIIB and pro-AIIB camps. Meanwhile, Japan focuses more on ‘new MDB’ instead of ‘China-led,’ worrying about AIIB’s direct competition with ADB in the Asian region considering how to cope with the dilemma in between the US and China. Therefore, apart from the anti-AIIB and pro-AIIB camps, there is one more interesting camp calling for pending AIIB.

Nonetheless, AIIB has been continuously evolving and has commenced its operation for businesses. In that course, opposition and criticism from the US and Japan in the form of negative cooperation have played an important role. But still, many issues await improvement and many difficulties lie ahead. Accordingly, support from the two countries in a way of positive cooperation are the key to guaranteeing a healthy and well-functional AIIB in the future. The author is optimistic of such feasibility, along with the trust and consensus built gradually on the coordination of tri-lateral interests. Grounded on the above comparison and analysis, and orienting itself towards a more balanced international economic order, it is suggested that the US and Japan join AIIB as an external supervisor and internal member, respectively. On one hand, the US could function similarly to an independent supervisor in corporation law, cooperating and assisting AIIB indirectly from outside. On the other, Japan could join directly as an internal member instead of merely waiting. To some extent, Japan’s contribution to

the governance of the new Asian bank side by side with China has a profound meaning in a broad sense to help obtain the Asian voice in restructuring the international rules.

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