

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”),