

Locked in Zero-sum Competition in Funding Regional Infrastructure? A Case Study of
Japan's Media Perceptions of the AIIB

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Dedication

The author wishes to dedicate this Thesis to his parents, grandparents, and Meizhen Wang.

Their support has been unwavering and inspirational.

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Abstract of Thesis

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The frosty bilateral relations between China and Japan since 2012 have contributed to the increasing pessimism that the deepening Sino-Japan strategic rivalry will lock the two Asian giants on the path of intense competition for regional leadership and substantially restrict the space for them to cooperate on regional initiatives proposed by each other. Although Japan's holdout policy toward the China-led Asia Infrastructure Investment Bank (AIIB) seems to reinforce this argument, a careful study of Japan's media discourses of the new bank through examining the AIIB-focused editorials of Japan's five national newspapers, reveals such pessimism overstated. The Japanese media demonstrated a great diversity of opinions over the initiative, offered differentiated policy recommendations, and showed high sensitivity to the changes in the international community's reactions. Although the current Abe Cabinet's AIIB policy tends to fall in line with one among the varied media discourses, other discourses constrain such policy. These findings suggest that the evolution of Japan's domestic political landscape and changes in the international community might cause the Japanese government to reconsider and shift policies toward the AIIB, and that Japan and China are far from locked in a zero-sum competition for regional leadership.

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Chapter 1: Introduction

The China-Japan relations have at best been frosty since 2012. On September 2012, the Japanese central government announced its decision to purchase three of the five contested Senkaku/Diaoyu islands. In response to Japan's purchase of the islands, China initiated full time maritime and air patrols in the vicinity of the disputed islets, froze high-level political and diplomatic exchanges, and declared an Air Defense Identification Zone (ADIZ) over the East China Sea that covered the disputed islets on November 2013. Bilateral relations hit rock bottom. In the following years, although Chinese patrols in the contested waters stabilized and efforts to improve relations made some progress, the Sino-Japan ties have yet to escape its frostiest period. Bitter quarrels over history, territory, and maritime resources regularly erupt. Beyond bilateral issues, Beijing and Tokyo also exchanged harsh rhetoric on regional issues such as the South China Sea. Japan is increasingly worried about China's assertiveness and seeks to strengthen U.S.-Japan alliance while China suspects that Tokyo and Washington are plotting to contain and oppose China's rise. The accumulation of Sino-Japanese animosity has led scholars to contend that Sino-Japan strategic rivalry is rapidly gaining momentum.¹

Nonetheless, how will the so-called Sino-Japan strategic rivalry affect their interactions on regional initiatives? Will the rivalry restrict their space and scope for cooperation on regional initiatives, especially those proposed by each other? And if so, to what extent will the strategic rivalry restrict their cooperation? The answer to these questions is up in the air. Against this backdrop, China's proposal of creating a new multilateral

¹ See, for example, Michael Yahuda, *Sino-Japanese Relations after the Cold War – Two Tigers Sharing a Mountain* (New York: Routledge, 2013), 175-216.

development bank (MDB) - the Asia Infrastructure Investment Bank (AIIB) - provides a perfect opportunity to assess the Japanese perceptions of China's aspiration for regional leadership. Through a case study of Japan's perception of the AIIB, the thesis aims to shed light on Japan's views of China and the prospects of Sino-Japan cooperation on China-led regional initiatives.

The AIIB is one of the latest fruits of Chinese enthusiasm for regional multilateralism. Since the 1990s, China has substantially changed its attitude on regional multilateralism, transforming itself from an outlier in the Cold War era, to a passive participant in the early 1990s, and to an active player after the Asian Financial Crisis, and eventually to an initiative-taker after the 2008 Global Financial Crisis.² Particularly in recent years, it has demonstrated a rapidly growing activism in creating new regional institutions, such as the Asia Infrastructure Investment Bank (AIIB), the New Development Bank (NDB), and the Shanghai Cooperation Organization (SCO), many of which are alternatives to existing multilateral institutions. Of all regional institutions that China has proposed, the AIIB might be the brightest jewel in the crown. First proposed by Chinese President Xi Jinping during his visit to Southeast Asia in October 2013, the AIIB envisages closer regional interconnectivity and economic integration. Initially embraced by regional developing countries, the initiative witnessed a cascade of non-Asian countries, including many traditional allies of the United States, looking for membership after U.K.'s decision to join in March 2015. Now the AIIB has 57 founding members with authorized capital of

² See, for example, Ashizawa Kuniko, "Tokyo's Quandary, Beijing's Moment in the Six-Party Talks: A Regional Multilateral Approach to Resolve the DPRK's Nuclear Problem," *Pacific View* 79, no.3 (Fall 2006): 411-412.

100 billion U.S. dollars.³ China, taking a 30% stake and 26% voting share, is the largest shareholder in the institution, followed by India and Russia. The bank has started operation since January 16, 2016.

The establishment of the AIIB puts Japan in an awkward position. First, the new bank might directly challenge Japan's traditional turf – its leadership in Asian financial sector. As the largest shareholder of the Asia Development Bank (ADB) that has been playing a preeminent role in fostering Asia's economic growth since its creation in the early 1960s and the provider of massive Official Development Assistance (ODA) programs, Japan has long been the undisputed leader in funding Asia's infrastructure development. Now comes an institution that might potentially compete with the ADB head-to-head — what would Japan's appropriate response be? Meanwhile, the United States views the AIIB with strong skepticism. Washington is Japan's security provider and Tokyo's extraordinary economic achievements in the Post-War era also benefited profoundly from the U.S.-centered international financial order. Tokyo has always been standing by Washington's side. How about this time? Finally, as mentioned, the Sino-Japan relations hit rock bottom after the Senkaku/Diaoyu islands flare-up in 2012. Japanese national sentiment against China is increasingly strong. Consequently, the emotional obstacle for Japan to overcome in order to play second fiddle to China in the new bank is enormous.

At first glance, as Japan holds out on joining the AIIB and launches its own initiative to

³ For the current status of AIIB membership, number of shares, and voting share, see AIIB website <http://euweb.aiib.org/>

fund Asia's infrastructure development, its reaction seems to reinforce the increasing pessimism that the deepening Sino-Japan strategic rivalry will lock two countries on the path of fierce competition for regional leadership and greatly shatter the space for them to cooperate on initiatives proposed by each other. However, through the study of Japanese media perception of the new bank and the correlation between media perception and the Japanese government's policies, the thesis finds such pessimism overstated. Particularly, the thesis has three major findings: first, the Japanese media demonstrates diverse opinions on the AIIB and offers differentiated policy recommendations for the government; second, the Japanese media is highly sensitive to the international community, whose reactions significantly affect Japan's internal debate and have the potential to change Japanese media's future discourse over the new bank; third, although the current Abe cabinet's AIIB policy tends to privilege one among the varied media discourses, other discourses constrain such policy. The implication of these finding is clear — with the evolution of Japanese domestic politics and international reaction of the AIIB, Japan's reconsideration of its policies over the new bank is absolutely possible. Therefore, as long as China and Japan maintain candid and positive exchanges, their rivalry does not necessarily have adverse effects on their cooperation on regional initiatives.

The rest of the thesis is organized into four sections. The first section discusses the research methodology. The thesis relies on the AIIB-focused editorials of Japan's five major national newspapers to capture the media perception of the new bank. The second section unpacks the debate among the Japanese press over the AIIB, outlining the fault

lines in their discussions regarding China's motivation, major concerns, and policy recommendations. The third section examines the newspapers' interpretations of international reactions to the AIIB. It finds that the Japanese press is highly sensitive to the changes in the international community, especially the warm welcome of the AIIB by developing nations and the change in attitudes of Western countries. The next section examines the correlation between media perceptions and Japanese government policy. The thesis concludes with a summary of the main findings and a discussion of avenues for future research.

Chapter 2: Methodology

To assess how the Japanese media perceives the China-led AIIB, the thesis analyzes the editorials of Japan's five major national newspapers: *Asahi*, *Mainichi*, *Nikkei*, *Yomiuri*, and *Sankei*. These five newspapers are regarded as "national papers" as they have their regional news bureaus and sell copies throughout Japan.

The thesis selects these five newspapers as the primary sources of data first because of their popularity and trustworthiness. Although the overall circulation has been decreasing steadily due to the proliferation of smart devices, newspaper as the traditional media by far still enjoys wide popularity in Japan. According to the Japan Newspaper Publishers and Editors Association, the total circulation of Japan's daily newspaper in 2015 was slightly above 44 million copies, close to one copy per household and Japan's daily newspaper circulation per 1000 people is 410, the highest among G7 countries.⁴ Among the total circulation of Japan's daily newspaper in 2015, the five national papers accounted for more than 50%, reflecting their high degree of acceptance and profound influence. *Yomiuri* in 2014 had the largest circulation with 9.26 million copies, *Asahi* with 7.1 million, *Mainichi* with 3.29 million, *Nikkei* with 2.75 million, and *Sankei* with 1.61 million.⁵ Meanwhile, newspapers in Japan have a solid reputation as the most trusted news source. According to a survey conducted in 2013 that asked respondents which type of media can put information in order, can be a source of balanced information, can widely reflect the developments of society, can depict the whole picture of events, has societal influence, and is a must-read for a full-fledged member of society, newspaper

⁴ See the website of the Japan Newspaper Publishers and Editors Association, at <http://www.pressnet.or.jp/data/circulation/circulation01.php>

⁵ "Shinbun Hakkosha Report," *Japan ABC Kyokai*, June-December 2014.

was the top choice to all the above questions comparing to NHK, commercial TV channels, radios, magazines, and other media.⁶

Moreover, these five national papers cover most of Japan's ideological and political spectrum, therefore enabling the thesis to assess a broad range of mainstream viewpoints on the new bank. As all these papers have a long history of development, the views on presented on these papers have evolved gradually depending on changing domestic and international milieu. Presently, *Yomiuri*, *Sankei*, and *Nikkei* are regarded as conservative papers while *Asahi* and *Mainichi* as liberals.⁷ Currently, the two camps split on a wide range of issues regarding Japan's politics, security, and society and regularly initiate contentious debates on critical issues such as the Constitution revision, the U.S.-Japan alliance, and the state's use of force. Particularly, while holding differing views on the timing and scope of the revision of Japan's post-war Constitution, the *Yomiuri-Sankei-Nikkei* camp supports the constitutional amendment. In contrast, the liberal *Asahi* and *Mainichi* call on Japan to keep the pacifist constitution.⁸ Meanwhile, the conservative side tends to have favorable views on the U.S.-Japan alliance while the liberal side usually emphasizes the difference between Japan and the U.S. and is active in advocating for autonomy of Japan's foreign policy. Since the mid-1990s, the conservative papers have been increasingly supportive of Japan's more active involvement in

⁶ "The Report of National Survey on Contact and Assessment of Media," *The Japan Newspaper Publishers and Editors Association*, June 2014.

http://www.pressnet.or.jp/adarc/data/research/pdf/2013media/report_web_2013.pdf

⁷ See, for example, Shunichi Takekawa, "Reconciliation Prospects and Divided War Memories in Japan: An Analysis of Major Newspapers on the Comfort Women Issue," in *Routledge Handbook of Memory and Reconciliation in East Asia* ed. Mikyoung Kim (New York: Routledge, 2014), 80-81.

⁸ Tomohito Shinoda, "Becoming More Realistic in the Post-Cold War: Japan's Changing Media and Public Opinion on National Security," *Japanese Journal of Political Science* 8, no.2 (2007): 171-190.

international conflicts while the liberals urge the country to maintain non-military roles in the global affairs. A vivid example of the aforementioned standoffs is their divergent views on the passage of a series of security-related bills in 2015 that loosened restrictions on the exercise of collective self-defense: while *Asahi* and *Mainichi* questioned the bills' constitutionality and argued against the passage, *Yomiuri*, *Sankei*, and *Nikkei* stressed the necessity of these bills in order to cope with the new security threats.⁹ As opinion leaders, these papers are actively engaged in editorial competition by stressing their competing editorial views.

Although there is a tendency for both rightist and leftist media to increasingly depict China as bullying and arrogant and to call for Japan to be resolute against Chinese pressure,¹⁰ the five Japanese national papers' views on China usually reflect two different mainstream strategies: engagement and balancing. In contrast to *Sankei* and *Yomiuri* that tend to express misgivings on the rise of China and call for greater hardhandedness, *Asahi* and *Mainichi* frequently adopt conciliatory tones and stress the importance of engagement, cooperation, and sometimes even accommodation with China. *Nikkei*, despite being regarded as conservative, tends to sway between balancing and engagement. Stemming from its status as the leading economic newspaper, such vacillation epitomizes the attitude toward China among Japan's business community that is politically conservative but attaches great significance to China-Japan economic ties and hence has strongly favored a stable and positive Sino-Japanese relations. Relying on

⁹ Shinju Fujihira, "Building a Constitutional and Security Policy Consensus in Post-Abe Japan," *New Perspectives on Japan from the U.S.-Japan Network for the Future*, ed. Arthur Alexander (Washington DC: The Maureen and Mike Mansfield Foundation, 2015), 13-14.

¹⁰ Shogo Suzuki, "The Rise of the Chinese 'Other' in Japan's Construction of Identity: Is China a Focal Point of Japanese Nationalism," *The Pacific View* 28, no.1, (2015): 95-116.

these five papers to assess Japanese perception of the AIIB provide an opportunity to not only test whether or not their opinions are consistent with their traditional views on China, but also the relative strength of different mainstream strategies toward China in Japan.

Chapter 3: Debating the AIIB

This section examines the arguments on the AIIB-centered editorials of Japan's five national newspapers, focusing on their debates of China's motivations in creating the AIIB, major concerns related to the bank's operation, the Japanese government reaction, and Japan's policy options. Despite shared concerns over the new bank's operation, the five papers demonstrate clear splits. Asahi and Mainichi tend to be more sympathetic to the new bank and call on the government to consider the option of participation while Sankei and Yomiuri regard it as China's self-serving tool that challenges the international financial order and hence urge the government to strengthen U.S.-Japan cooperation in order to check the bank. Nikkei advocates both consideration of the participation option and U.S.-Japan solidarity.

3.1 Different Emphases on Motivations

Japanese newspapers recognize China's multiple motivations in creating the AIIB and make assumptions of China's real intention, which include funding regional infrastructure development, meeting domestic economic needs, advancing foreign policy objectives, challenging the U.S.-led global economic order, and responding to frustration over the existing international financial institutions.

The huge infrastructure investment gap in Asia and the AIIB's potential of closing this gap was widely acknowledged by the Japanese press. A *Nikkei* editorial, for example, quoted the ADB's 8 trillion-dollar figure that is estimated to be the cost of building the infrastructure in Asia by 2020, admitting that "the funding need for infrastructure cannot be met by the existing international financial institutions" and that "developing countries

suffering from a lack of funds hold expectations for the AIIB.”¹¹ The 8 trillion-dollar figure was also quoted in *Yomiuri* and *Asahi*’s editorials.

However, the question of whether financing Asia’s infrastructure development is Beijing’s real motivation loomed large in their discussions. Here occurred the split among the press—*Asahi* and *Mainichi* tended to stress rising powers’ dissatisfaction toward slow progress in reforming existing international institutions. The organizations that the Japan press referred to were the World Bank, the International Monetary Fund (IMF), and the ADB, where the second world’s largest economy China holds only 4.64%, 6.11%, and 6.5% of voting power respectively, a stark contrast to the U.S.’s 16.63%, 16.59%, and 15.5%.¹² A *Mainichi* editorial, for example, stated that “it was a refusal of existing international organizations such as the ADB and the International Monetary Fund (IMF) to allow China to make contributions that matched the size of its economy that prompted China to move toward launching the AIIB in the first place.”¹³ Similarly, an *Asahi* editorial commented that “behind China’s move to create the AIIB is Beijing’s displeasure with the international financial architecture, which is under effective control of the United States, Europe, and Japan. China feels that it doesn’t have the influence commensurate with its growing economic power within the current order.”¹⁴ In *Nikkei*,

¹¹ “How to Cope with China-led Infrastructure Bank”, *Nikkei Shimbun*, September 21, 2014.

¹² See, “International Bank for Reconstruction and Development Subscriptions and Voting Power of Member Countries,” *World Bank*, July 8, 2016.

<http://siteresources.worldbank.org/BODINT/Resources/278027-1215524804501/IBRDCountryVotingTable.pdf>; “IMF Members’ Quotas and Voting Power, and IMF Board of Governors,” *International Monetary Fund*, July 14, 2016. <https://www.imf.org/external/np/sec/memdir/members.aspx#C>; “Shareholders,” *Asia Development Bank*, December 31, 2015.

<http://www.adb.org/site/investors/credit-fundamentals/shareholders>

¹³ “Japan Should Consider Joining New Chinese-led Infrastructure Fund,” *Mainichi Shimbun*, March 24, 2015.

¹⁴ “Efforts Needed to Integrate China into International Financial Order,” *Asahi Shimbun*, November 25,

Sankei, Yomiuri's editorials on the AIIB, only one *Sankei* editorial mentioned China's such frustrations.

In contrast, those three newspapers, especially conservative *Sankei and Yomiuri*, focused more on China's self-serving goals behind the creation of the AIIB, reflecting their much deeper distrust toward the neighbor. According to their analyses, the establishment of the new bank might serve China's domestic economic, foreign policy, and strategic goals. To begin with, the AIIB could meet China's domestic economic needs through three ways — help export China's overcapacity in key industries such as steel, cement, and aluminum production and surplus labor, and excessive capital that cannot be absorbed domestically due to the economic slowdown; create a massive market for China's domestic companies, especially SOEs; and promote the internationalization of the Chinese Renminbi as the AIIB could popularize the RMB as a traded currency.¹⁵ Secondly, on the foreign policy front, the AIIB is viewed as the means of promoting the "One Belt, One Way" initiative. The "One Belt, One Road" (OBOR) initiative, envisaging a giant economic bloc that links China with Europe through Central Asia and the Middle East along the Silk Road and connects the country with Europe and Africa via the Indian Ocean, is a flagship project proposed by Chinese current President Xi Jinping since 2013. A *Sankei* editorial asserted that the AIIB is "the architect directly linked to China's economic hegemonic strategy, the giant economic bloc initiative 'One Belt, One Road' that proposed by the Xi

2014.

¹⁵ See, "What Does China's Plan for a New Infrastructure Bank Portend for Asia?" *Yomiuri Shimbun*, October 29, 2014; "Criticism of Japan, United States for Not Joining China-led AIIB is Misdirected," *Yomiuri Shimbun*, April 3, 2015; "Worries Persist over Whether Newly Launched AIIB Will Show Fairness," *Yomiuri Shimbun*, January 18, 2016; "AIIB to Start Operation, Don't Allow China's Self-serving Governance," *Sankei Shimbun*, January 19, 2016.

Jinping regime.”¹⁶ Also, China is suspected of using the AIIB to increase its clout in the region and cultivate its own sphere of influence.¹⁷ Furthermore, a *Yomiuri* editorial speculated that “AIIB loans could be used to serve China’s self-serving maritime advancement, including such as lending for projects to create and improve harbors that could be used for military ends.”¹⁸ Finally, the conservative media suspected that the AIIB was set to challenge the West-led international financial order and to establish a new order favorable to China. The current global financial order, known as the Bretton Woods system, is underpinned by a group of financial institutions, such as the World Bank, the IMF, and the ADB that are founded by the U.S.-led Western countries in the aftermath of the World War II. When describing the AIIB’s impact on these existing institutions and the new bank, *Nikkei*, *Sankei*, and *Yomiuri* used phrases such as “confrontational,” “destroying,” and “shaking the US-led international financial order”, regarding their relationships viewed as a zero-sum game.

¹⁶ “AIIB to Start Operation, Don’t Allow China’s Self-serving Governance,” *Sankei Shimbun*, January 19, 2016.

¹⁷ See, for example, “What Does China’s Plan for a New Infrastructure Bank Portend for Asia,” *Yomiuri Shimbun*, October 29, 2014.

¹⁸ “Worries Persist over Whether Newly Launched AIIB Will Show Fairness,” *Yomiuri Shimbun*, January 18, 2016.

Table 1: Japanese National Newspapers’ View on Beijing’s Motivations for Establishing AIIB

	Meet Chinese Domestic Economic Needs	Increase Chinese Influence in Regional states	Promote the “One Belt, One Road” Initiative	Fund China’s Self-serving Infrastructure Projects	Facilitate Regional Infrastructure Development	Challenge the US-led Global Economic Order	React to Frustration over the Existing institutions
<i>Asahi</i>	√	√					√
<i>Mainichi</i>					√		√
<i>Nikkei</i>					√	√	
<i>Sankei</i>	√	√	√		√	√	√
<i>Yomiuri</i>	√	√	√	√	√	√	

Source: The editorials of the newspapers

3.2 Shared Concerns on Operation

The AIIB debate in Japan from the beginning was somehow dominated by the question of whether or not the AIIB could achieve fair governance and operation. On this front, there is a high degree of opinion congruence among the Japanese press regarding the AIIB’s operation — they shared deep concerns, with the right-leaning *Sankei* and *Yomiuri* more pessimistic. The major issues that emerged in their discussions on the new bank included an unclear vision, problematic governance, and potentially unsound lending policies and standards.

To begin with, the AIIB’s ambiguous vision was questioned by Japanese newspapers, based on their views of Beijing holding multiple goals behind the establishment of the AIIB. As early as September 2014, a *Nikkei* editorial contended that “although China insists that the relationship between the AIIB and ADB is ‘not rivalry but complementary,’ in contrast to the ADB that holds a clear goal — poverty reduction, the AIIB’s vision so

far has been obscure.”¹⁹ This view was shared by other four newspapers and remained stable throughout the more-than-one-year-long Japanese domestic debates over the new bank. A *Mainichi* editorial stressed the importance of the AIIB developing its crystal clear core philosophy, stating that “a new bank for what, for whom? It is of the greatest importance for member countries to have a common understanding on this question. After the AIIB’s vision on how it will contribute to Asia through infrastructure development being questioned, [the AIIB] must rely on a set of organizational system and rules for that end.”²⁰

More question marks were drawn on the effect of China’s strong influence on the bank’s governance. China’s influence over the AIIB was strong and visible: the headquarters of the AIIB would be located in Beijing; the first president would be Chinese; China would hold 30% of the share and 26% of the total voting power (as the AIIB Articles of Agreement stipulated that on critical issues such as an increase of authorized capital stock and change of membership would require an affirmative vote of two-thirds of the total number of governors, representing no less than three-fourths of the total voting power of its members, China was granted veto power over these critical issues²¹). All the Japanese national newspapers referred to these facts and worried that China’s strong influence would turn into its overwhelming control — China could dominate the AIIB’s operation for self-serving ends. And they contended China’s unchecked influence would be one of the greatest obstacles for the new bank to realize fair governance and operation, warning

¹⁹ “How to Cope with China-led Infrastructure Bank”, *Nikkei Shimbun*, September 21, 2014.

²⁰ “Facing the Creation of the AIIB, Make it a Trustworthy Institution,” *Mainichi Shimbun*, April 18, 2016.

²¹ “AIIB Articles of Agreement,” *Asia Infrastructure Investment Bank*, June 29, 2015.

<http://www.aiib.org/uploadfile/2015/0814/20150814022158430.pdf>

of the dismal future of the new bank if it could not keep China's power in check. A *Mainichi* editorial, for example, warned that "if China were to abuse its power for its own interests, the AIIB would never win confidence from the international community. It would push the AIIB's rating lower than those of the ADB and the World Bank, making it costly for the new institution to raise funds on financial markets."²²

Consequently, the Japanese press carefully looked for and examined potential indicators signaling China's excessive influence and its arbitrary use of that influence. The first issue they unanimously questioned was the non-resident status of the AIIB's board of directors. Similar to other major international financial institutions, the governance structure of the AIIB is composed of three tiers: a board of governors, which is composed of each member's representatives and functions as the highest decision-making organ; a board of directors, which "establishes the policies, takes decisions concerning operations of the bank, supervises the management and the operation, and approves the strategy, annual plan and the budget";²³ and the management, which conducts daily routine business of the bank. However, different from other major international financial institutions, the AIIB's board of directors would "function on a non-resident basis."²⁴ This arrangement seemed to limit the authorities of the board of directors and grant the management more power as a non-resident board of directors is not able to closely monitor daily management and deeply engage in the review of individual loan

²² "Success of AIIB Hinges on International Confidence," *Mainichi Shimbun*, July 1, 2015.

²³ "AIIB Articles of Agreement," *Asia Infrastructure Investment Bank*, June 29, 2015.

<http://www.aiib.org/uploadfile/2015/0814/20150814022158430.pdf>

²⁴ *Ibid.*, 17.

proposals.²⁵

Given that China holds natural advantages over the banks' management staff, the Japan press across the political spectrum viewed this arrangement as opening the door for China to arbitrarily utilize the bank for its own benefits. Before the AIIB Articles of Agreement (AOA) was signed on June 29 2015 and made it clear that the AIIB's board of directors would be non-resident, the Japanese press already noticed such rumor and underscored the necessity of a resident board of directors in their discussion. A *Yomiuri* editorial on April 19, 2015, for example, mentioned that "China is reported considering a plan to have AIIB directors, selected from major investor nations, hold meetings through e-mail and other channels, rather than requiring the participants to be permanently based at the bank's headquarters in Beijing," arguing that "under these conditions, the opinions of member nations cannot be properly reflected in the bank's organizational management and selection of projects to receive loans. It is possible that the AIIB could become an organization wrapped around the little finger of its governor, who is forecasted to be an appointment from China."²⁶ *Asahi* also addressed the importance of creating a resident board of directors, arguing that "at least the AIIB should have transparent rules over its operation that can prevent the bank from funding projects merely for expanding Chinese influence. Therefore, it is necessary to have a resident board of directors that can work to establish consensus among members."²⁷ The AOA's decision on the non-resident status

²⁵ Masahiro Kawai, "Asian Infrastructure Investment Bank in the Evolving International Financial Order," in *Asian Infrastructure Investment Bank: China as Responsible Stakeholder?* (Washington DC: Sasakawa Peace Foundation, 2015), 5-26.

²⁶ "Can China-Led AIIB Ensure Fairness, Transparency in Its Intl Operations," *Yomiuri Shimbun*, April 19, 2015.

²⁷ "How to Make the Most of the AIIB is Crucial," *Asahi Shimbun*, May 11, 2015.

of the board of directors reinforced the Japanese press's concern. A *Nikkei* editorial published on the next day of the AOA's signing, for example, claimed that "using the cost reduction as the excuse, [the AIIB] will not create a resident board of directors in Beijing's headquarters. In this case, it becomes easier for China to direct the bank according to its will. How to set a brake [on China's influence] is a serious issue."²⁸

Mainichi also commented that "unlike the ADB and the World Bank, board members of the AIIB representing key member countries will not be permanently assigned to its headquarters, raising concerns that China could abuse its power to intervene the bank's day-to-day work."²⁹ *Yomiuri* revealed its pessimism straightforward, contending that "board members of the AIIB will not be stationed at the bank's headquarters in Beijing. A former Chinese deputy finance minister is widely tipped to be appointed as the bank's first president. Under these conditions, we hold scant expectations that the bank's operations will be transparent, fair, and neutral."³⁰ Similarly, *Sankei* contended that "using the excuse of efficient operation, even the board of directors will not reside in Beijing. As expected, it is an organization working upon China's will."³¹

The second issue, brought up by *Sankei* and *Yomiuri* to prove China's arbitrary use of the AIIB, was the bank's rejection of Taiwan's application for joining as a founding member. On March 31, 2015, Taiwan, a self-ruling island that China had long claimed to be part of it, applied to join the AIIB as a founding member before the deadline for application.³² In

²⁸ "Toward the Transparent Operation of the AIIB," *Nikkei Shimbun*, June 30, 2015.

²⁹ "Success of AIIB Hinges on International Confidence," *Mainichi Shimbun*, July 1, 2015.

³⁰ "Concern Continues to Grow that AIIB Will Primarily Serve China's Goals," *Yomiuri Shimbun*, July 3, 2015.

³¹ "Infrastructure Bank, Still Cannot Dissolve the Concerns over China," *Sankei Shimbun*, July 2, 2015.

³² Luck Hornby, "Taiwan Applies to Join China-led AIIB," *Financial Times*, March 31, 2015.

the following April, Beijing rejected Taiwan's application while signaling the door was still open if Taiwan used an "appropriate name".³³ A *Yomiuri* editorial argued that "China's rejection of Taiwan as a founding member is also an evidence that Beijing is trying to arbitrarily operate the AIIB."³⁴ Also referring to this incident, *Sankei* claimed that "[as China] allows the organizational operation to intertwine with political issues, it is problematic that the AIIB, as an international financial institution, could maintain neutrality."³⁵ *Nikkei*, *Asahi*, and *Mainichi* did not mention the Taiwan issue in their editorials.

In addition to its unclear vision and problematic governance, another major concern shared among the Japanese newspapers over the new bank was related to its lending policies and standards. As a potentially significant player, the AIIB's lending policies and standards should be transparent procedurally, viable economically, friendly to the environment and human rights, and positive for borrowing countries' social development. The Japanese press was considerably pessimistic that the AIIB could meet the above criteria and such pessimism maintained throughout their entire debate.

Particularly, Japanese media's concerns converged on two issues — excessive lending policies and low lending standards. Excessive lending policies referred to those that lacked solid assessment of financial risks and therefore were financially unsound. As

<https://next.ft.com/content/58615682-d75f-11e4-93cb-00144feab7de>

³³ Jenney W. Hsu, "China Thwarts Taiwan's Bid to Be Founding Member of AIIB," *Wall Street Journal*, April 13, 2015,

<http://www.wsj.com/articles/china-thwarts-taiwans-bid-to-be-founding-member-of-aiib-1428899140>

³⁴ "Can China-Led AIIB Ensure Fairness, Transparency in Its Intl Operations," *Yomiuri Shimbun*, April 19, 2015.

³⁵ "Don't Confuse, Maintain Calm Response to the AIIB," *Sankei Shimbun*, April 17, 2015.

infrastructure development is characterized by significant capital investment and long lifespan, excessive lending policies might cause a borrower's piling up of external debt beyond its repayment capacity, which would likely affect all of that borrower's lenders' revenue and lead to systematic crisis. The Japanese press apprehended that the AIIB would adopt excessive lending policies and subsequently cause potential adverse effects on the Japan-led ADB. An *Asahi* editorial, for example, warned that "if AIIB's borrowers fall into unpayable situation due to the bank's excessive lending, the repayment to the ADB would inevitably be negatively affected."³⁶ Meanwhile, the Japanese commentators also expressed concerns that the AIIB would adopt low lending standards without taking borrowing country's environment protection, human rights improvement, and social development into consideration. When funding infrastructure projects, major international financial institutions such as the World Bank and the ADB conducted rigorous review process from the beginning to consider the environmental, social, and human rights impacts of these projects. Referring to these practices, the Japanese press was concerned that the AIIB might not follow such cautious convention. *Mainichi*, for instance, warned that "if lowering the review criteria for funding due to the feeling of troublesomeness, there is a greater danger that [such low lending standards] will cause problems such as numerous bad debts, environmental degradation, corruption, and violation of human rights in the borrowing countries."³⁷ A *Yomiuri* editorial referred to China's problematic record in this regard, stating that "there is a considerable number of cases in which China's development aid to Africa or elsewhere lacked due consideration

³⁶ "How to Make the Most of the AIIB is Crucial," *Asahi Shimbun*, May 11, 2015.

³⁷ "Facing the Creation of the AIIB, Make it a Trustworthy Institution," *Mainichi Shimbun*, April 18, 2016.

for environmental protection and human rights.”³⁸

3.3 Differentiated Policy Recommendations

The five newspapers provided differentiated policy suggestions concerning Japan’s moves toward the AIIB: some of these policy suggestions could complement with each other while some recommendations pointed to different directions based on their different emphases on motivations, divergent assessments of the government level response and different understandings of Japan’s position in the world. Table 2 shows a complete list of these newspapers’ policy suggestions.

First, regarding recommendations for the Japanese government on the unilateral level, due to their divergent judgments on the “cautious” approach adopted by the government, some of their suggestions also split. *Asahi*, *Mainichi*, and *Nikkei* urged the government to consider the option of participating in the AIIB and to provide the AIIB with human capital and expertise support. While the *Sankei-Yomiuri* camp advocated for adhering to the wait-and-see approach. Other suggestions that were made by these five newspapers and did not necessarily contradict with each other included: promoting quality infrastructure projects in Asia; promoting Public-Private Partnership (PPP) in regional infrastructure funding; and closely monitoring the developments of the AIIB.

Interestingly, the former two suggestions echoed the key points of the “Partnership for Quality Infrastructure” initiative launched by Prime Minister Abe on May 22, 2015.³⁹

³⁸ “Worries Persist over New Intl Bank under Strong Control by China,” *Yomiuri Shimbun*, March 26, 2015.

³⁹ See, “The Future of Asia: Be Innovative - Speech by Prime Minister Shinzo Abe at the Banquet of the 21st International Conference on the Future of Asia,” *Prime Minister of Japan and His Cabinet*, May 21,

The new initiative promised to provide 110 billion U.S. dollars for quality infrastructure investment in Asia, which stressed the importance of quality infrastructure and strengthening governmental support for private infrastructure projects.⁴⁰ A *Sankei* editorial gave high credit to this initiative, stating that “if [the initiative] can help Japan’s infrastructure export, then we can expect it to contribute to Japan’s economic growth.”⁴¹

Table 2: Policy Recommendations of Japan’s Five National Newspapers over the AIIB
* Number in the bracket indicates the times of the policy suggestion being made.

	Unilateral Level	Bilateral Level	Multilateral Level
<i>Asahi</i>	<ul style="list-style-type: none"> Participate in the AIIB under appropriate conditions (2) 	<ul style="list-style-type: none"> Promote Sino-Japan communications (1) 	<ul style="list-style-type: none"> Strengthen the ADB Encourage ADB-AIIB cooperation through ways such as joint funding (1) Push forward reforms in existing international organizations to grant rising powers a greater say (1) More actively enmesh China in the existing international organizations (1)
<i>Mainichi</i>	<ul style="list-style-type: none"> Consider the option of joining the AIIB (3) Provide the AIIB with knowhow and human resources support (1) 	/	<ul style="list-style-type: none"> Encourage the U.S. and South Korea to join the AIIB together (1) Push forward reforms in the ADB to speed up project delivery (1) Push forward reforms in existing international organizations to grant rising powers a greater say (1)
<i>Nikkei</i>	<ul style="list-style-type: none"> Promote constructive involvement with the AIIB (3) Participate in the AIIB under appropriate conditions (1) Promote Public-Private Partnership in regional infrastructure funding (1) 	<ul style="list-style-type: none"> Coordinate with the U.S. to increase the transparency of the AIIB (1) 	<ul style="list-style-type: none"> Increase the funding capacity of the ADB (2) Accelerate the TPP negotiation and ratification (1) Monitor the AIIB through the ADB-AIIB cooperation (2)
<i>Sankei</i>	<ul style="list-style-type: none"> Stick to the “cautious” approach (3) Promote quality infrastructure in Asia (1) Promote Public-Private Partnership in regional infrastructure funding (1) Closely monitor the AIIB 	<ul style="list-style-type: none"> Strengthen the U.S.-Japan solidarity (3) 	<ul style="list-style-type: none"> Strengthen cooperation with the western European countries that are members of the AIIB (1) Closely Monitor the AIIB through ADB-AIIB cooperation (2) Push forward reforms in the ADB to speed up project delivery (1)

2015. http://japan.kantei.go.jp/97_abe/statement/201505/0521foaspeech.html

⁴⁰ “Partnership for Quality Infrastructure Investment for Asia’s Future,” *Ministry of Economy, Trade, and Industry, Japan*, May 21, 2015. <http://www.meti.go.jp/press/2015/05/20150521003/20150521003-2.pdf>

⁴¹ “Investment toward Asia, Push Development in Japan’s Adept Areas,” *Sankei Shimbun*, May 23, 2015.

<i>Yomiuri</i>	<ul style="list-style-type: none"> • Stick to the “cautious” approach (4) • Promote quality infrastructure in developing countries • Closely monitor the AIIB (2) 	<ul style="list-style-type: none"> • Strengthen the U.S.-Japan solidarity (4) 	<ul style="list-style-type: none"> • Increase the funding capacity of the ADB and grant rising powers a greater say (1) • Build the complimentary relationship between the ADB and the AIIB(1) • Promote the AIIB’s fair governance and lending through ADB-AIIB cooperation (1) • Push forward reforms in the ADB to speed up project delivery (1)
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Source: The editorials of the newspapers

On the bilateral level, a key difference was clear — *Sankei* and *Yomiuri* repeatedly stressed the necessity and urgency to strengthen the U.S.-Japan coordination in coping with the new bank while *Asahi* and *Mainichi* instead emphasized the differences between the U.S. and Japan. The former two conservative papers saw China’s proposal of the AIIB as an opportunity to further promote the U.S.-Japan alliance and emphasized the importance of the TPP in order to compete with China. In contrast, *Asahi* implied that Japan should consider whether or not it has to follow the every step of the U.S. facing a rising China over this issue, commenting that “the post-war international finance has been working around the U.S. and Europe. Japan, for many years, has held a place thanks to its cooperation with the United States. However, with the rise of China, the order is about to change significantly. Going forward, Japan will take what kind of position? — the AIIB has cast such a problem in Japan.”⁴² *Mainichi* put it clearer, arguing that “unlike the United States, Japan is an Asian country. As such, Tokyo will have no choice but to face similar regional initiatives led by China and India. Exercising caution alone cannot

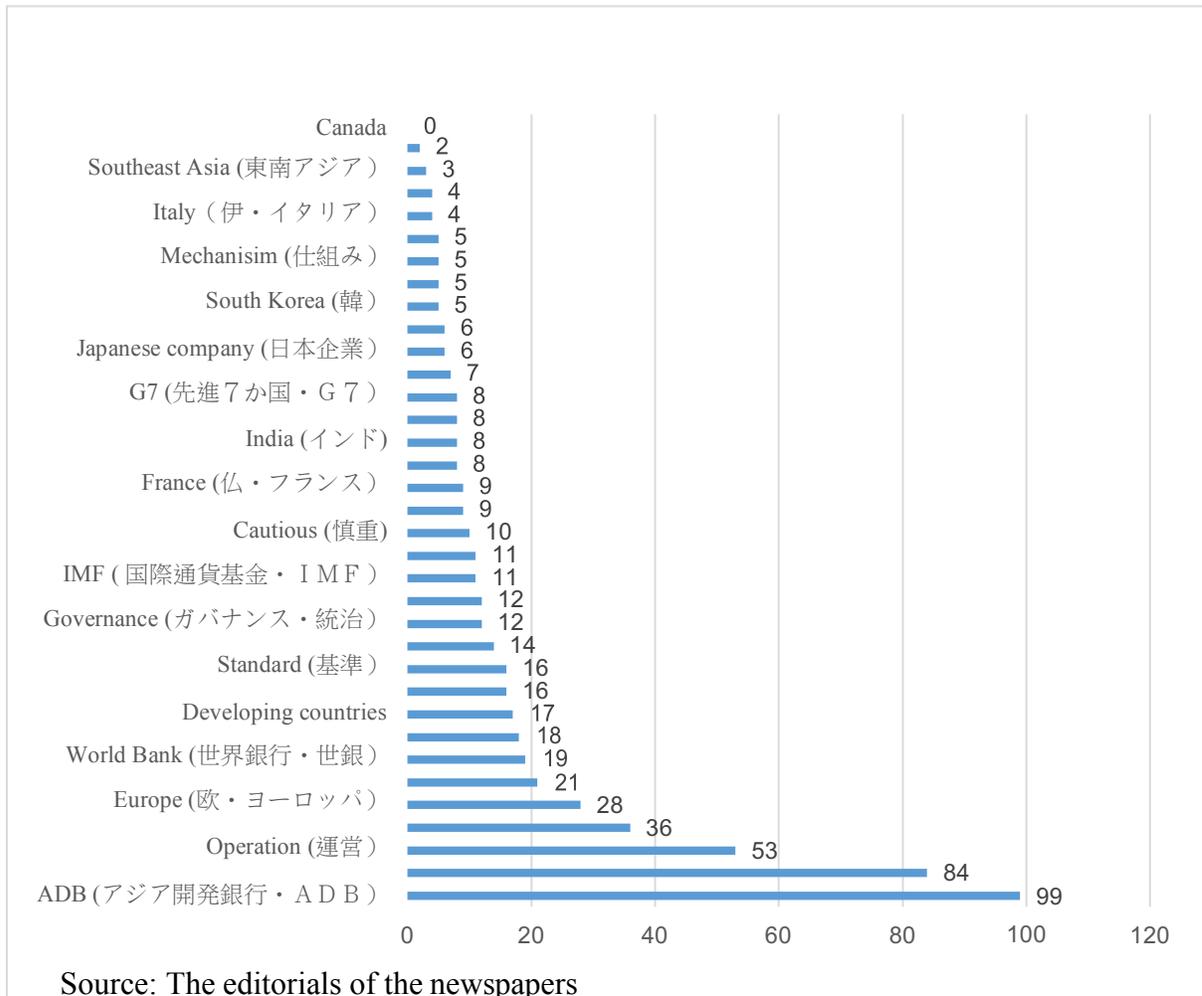
⁴² “AIIB, Enough Involvement?” *Asahi Shimbun*, April 1, 2015.

be an effective strategy.”⁴³ It is noteworthy that both conservatives and liberals tend to observe the AIIB through the lens of the United States, with the former highlighting the commonalities between the U.S. and Japan and the latter emphasizing the differences. The U.S. factor loomed large in Japanese debates on the AIIB. *Nikkei* was ambiguous in this regard, advocating for greater U.S.-Japan cooperation and engagement with China.

Finally, on the multilateral level, the Japanese press provided the following policy suggestions: increasing the ADB’s funding capacity; promoting ADB-AIIB cooperation such as joint funding; accelerating the TPP negotiation and ratification; strengthening coordination with the western European countries that are the AIIB members; and pushing forward reforms in the ADB, the World Bank, and the IMF to speed up project delivery and to grant developing countries a greater say. However, as *Asahi* and *Mainichi* underlined China’s frustration toward the slow pace of reforms in the existing international financial institutions, their policy suggestions consequently paid more attention to the acceleration of such reforms.

⁴³ “Japan Should Consider Join Asian Infrastructure Investment Bank,” *Mainichi Shimbun*, April 1, 2015.

Figure 1 Frequency of Selected Key Words in the Editorials on the AIIB of Japan's Five Major Newspapers



Chapter 4: Sensitive to International Reactions

This section aims to reveal how the Japanese press interpreted international reactions to the AIIB. It finds that Japan's national newspapers are highly sensitive to the moves of the AIIB's international audience, putting significant effort to capturing and interpreting the global community's reactions to the new bank. In return, the international community's reactions significantly affect Japan's domestic debates and have the potential to change Japanese media's future discourse over the new bank.

4.1 Monitoring International Reactions

The Japanese press closely monitored the international community's responses to the AIIB, especially after Western countries shifted their policy on the AIIB. A total of 25 AIIB-focused editorials published on the five major papers from November 2014 to January 2016 frequently referred to the international reactions to the AIIB and commented on such reactions — for instance, European countries' attitudes on the new bank were mentioned 16 times; the U.S. stance was mentioned 17 times; Asian countries' stance on the bank was mentioned 13 times.

Based on the analyses of these editorials, the international community's reactions to the AIIB had at least three functions in the Japanese media's internal debates over the AIIB. First of all, stimulating debates. The international community's warm welcome of the AIIB significantly increased the visibility of the AIIB issue in the Japan's media coverage. As figure 1 shows, in spite of being proposed in 2013, the AIIB initiative had not got much attention from the Japanese press until July 2014. However, their coverage over the bank began to soar in March 2015, peaked in April 2015, and remained at a high level in

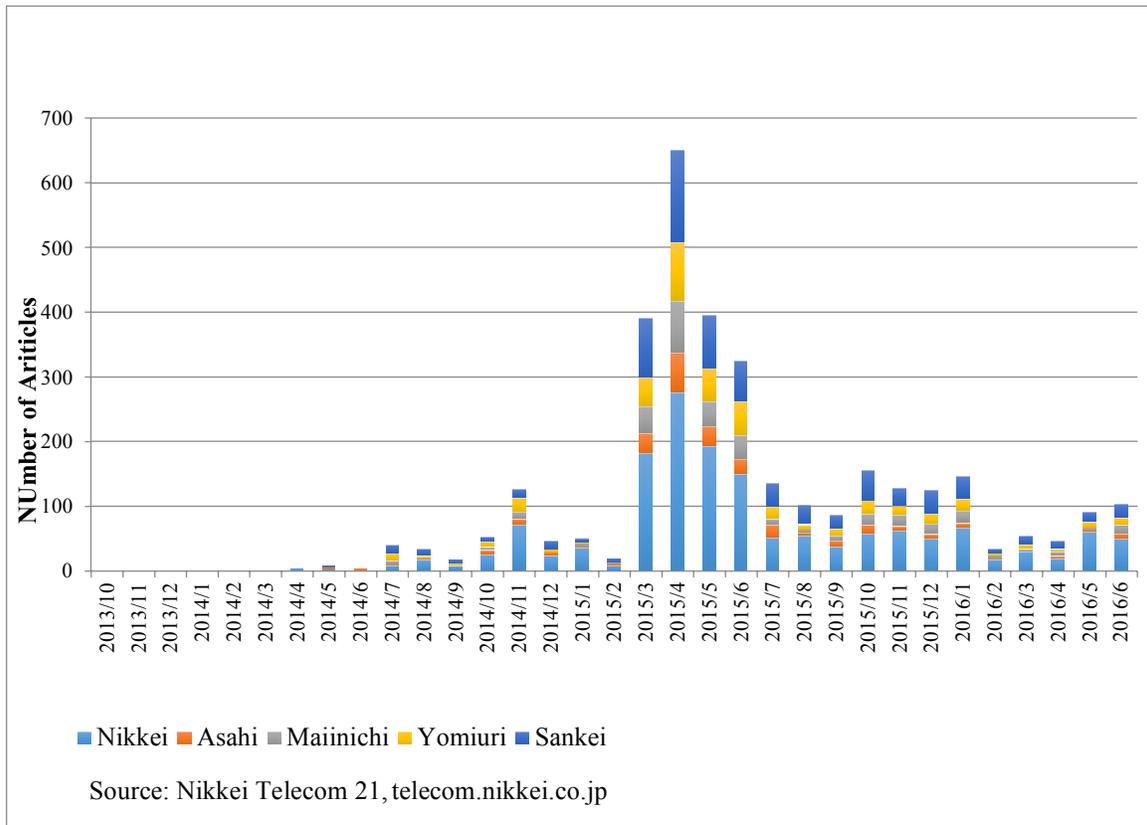
the following two months. During these four months, dozens of countries from Europe to the Middle East to Africa jumped on the bandwagoning of joining the institution one after another. This period also witnessed the liveliest debates among the Japanese press over Japan's appropriate policy reaction to the new bank. From July 2015, the coverage over the AIIB stabilized. Second, inspiring ways of thinking; Western countries' participation in the AIIB and the rationale behind their choice changed some Japanese press' understanding of the AIIB and hence pushed them to change their tone. And finally, providing evidence for respective arguments. Both pro-participation and anti-participation camp in the Japanese media carefully looked for evidence that support their arguments and policy recommendations. Many of such evidence came from other countries' reactions to the AIIB. For example, before Australia and South Korea joined the AIIB, *Yomiuri* referred to their non-participation to highlight international distrust against the new bank;⁴⁴ later, *Sankei* and *Yomiuri* used China's rejection of Taiwan's bid for founding member status as the proof that the AIIB was dominated by China and hence was not a neutral and fair international institution.⁴⁵ *Nikkei* also emphasized the persisting concerns over AIIB's lack of transparency by referring to Thailand, Malaysia, and the Philippines' delays in signing the AOA.⁴⁶

⁴⁴ "What Does China's Plan for a New Infrastructure Bank Portend for Asia?" *Yomiuri Shimbun*, October 29, 2014.

⁴⁵ See, for example, "Don't Confuse, Maintain Calm Response to the AIIB," *Sankei Shimbun*, April 17, 2015; "Can China-led AIIB Ensure Fairness, Transparency in Its Intl Operations?" *Yomiuri Shimbun*, April 20, 2015.

⁴⁶ "Toward the Transparent Operation of the AIIB," *Nikkei Shimbun*, June 30, 2015.

Figure 2: Monthly Number of Articles That Reference “Asian Infrastructure Investment Bank” in Japan's Five Major National Newspapers



4.2 Responding to Developing Countries’ stance on the AIIB

The developing countries welcomed China’s AIIB initiative. This warm reception caught the attention of the Japanese media, encouraging them to explain the driving factors behind it. The media unanimously identified two major factors: first, the immense appetite of regional developing countries for infrastructure investment, which had been discussed in the previous section; and second, the dissatisfaction with the ADB. Regarding the second factor, for example, Asahi stated that “against the backdrop of the AIIB’s increasing membership was the huge infrastructure funding demand that could not be met by the ADB, and the regional borrowing countries’ dissatisfaction over the ADB’

too-strict lending review policies.” Yomiuri pointed out that “developing countries are strongly dissatisfied with the ADB’s bureaucratic character, including its slow response to loan applications.” The other three papers also made similar comments. Consequently, all five Japanese newspapers supported accelerating the reforms of the ADB to better meet developing countries’ demands.

4.3 Interpret the Attitude Change of Western Countries

As mentioned, from March 2015, dozens of Western countries, including many traditional allies of the United States, jumped on the bandwagoning of joining the AIIB, which attracted the serious attention from the Japanese press. In their editorials, the five major newspapers strived to make explanations of the sudden attitude change of these countries and to assess the effects of such change.

Concerning the factors leading to such attitude change, a shared understanding among the newspapers was that the economic profits drove Western countries to jump on the board of the AIIB. *Yomiuri*, for example, contended that “European nations have an apparent desire to build relations with China through the AIIB, thereby securing more investment opportunities in Asia, a growth center in the world.”⁴⁷ Particularly, concerning the case of Britain, which was the first major U.S. ally to join the bank and led to the domino effect, *Mainichi* speculated that Britain participated in the AIIB to embrace China’s large market and to “grow London into a core market for the Chinese yuan, a currency with

⁴⁷ “Worries Persist over New Intl Bank Under Strong Control by China”, *Yomiuri Shimbun*, March 26, 2015.

latent growth potential.”⁴⁸ Also, Western countries saw joining the AIIB as a way to “increase opportunities to enter Asia’s infrastructure market, which is expected to see huge demand in the years ahead.”⁴⁹ Besides economic gains, other factors mentioned by the Japan press included: China does not directly threaten Britain and other European countries’ national security; and the U.S. leadership was declining.⁵⁰

Western nations’ bandwagoning of the AIIB inspired some Japanese papers’ way of thinking, prompting *Asahi*, *Mainichi*, and *Nikkei* to advocate for Japan’s participation. Before Britain revealed its participation decision, none of these five papers explicitly called for Japan to consider the option of joining. However, after Britain changed its mind, *Asahi*, *Mainichi*, and *Nikkei* also began to call for Japan’s policy change. This was not merely a coincidence because they clearly interpreted Britain and other Western countries’ joining as a move that was aimed to “ensure [the AIIB’s] transparency from inside”⁵¹ and had the potential to change the AIIB fundamentally, from a China-dominated institution to a truly neutral international institution. Shortly after European countries’ policy shift, *Mainichi*, spearheading the camp calling for Japan’s participation, argued that “as the range of participating countries expands, and the potential for the bank to become a diverse international agency increases, it is not in Japan’s best interests to remain a mere observer.”⁵² *Nikkei* and *Asahi* made similar

⁴⁸ “Japan Should Consider Joining New Chinese-led Infrastructure Fund,” *Mainichi Shimbun*, March 24, 2015.

⁴⁹ “Criticism of Japan, United States for not Joining China-led AIIB is Misdirected,” *Yomiuri Shimbun*, April 4, 2015.

⁵⁰ See, for example, “Criticism of Japan, United States for not Joining China-led AIIB is Misdirected,” *Yomiuri Shimbun*, April 4, 2015.

⁵¹ “Toward the Active Involvement with China-led Infrastructure Bank,” *Nikkei Shimbun*, March 20, 2015.

⁵² “Japan Should Consider Joining new Chinese-led Infrastructure Fund,” *Mainichi Shimbun*, March 20,

judgments. These three papers' policy recommendations of shaping-the AIIB-from-inside obviously were inspired by Europe's policy change.

On the other hand, while also noticing the change-it-from-inside narrative, *Sankei* doubted the effectiveness of this strategy. For example, in an editorial published right after Britain declared its policy change, *Sankei* stated that “[we should] question Britain that to what extent it can truly fulfill the responsibility, as a member, of ensuring the organization's transparency.”⁵³ In the following months, *Sankei*, continued to monitor the effectiveness of the work-inside approach. And after the AOA was signed on the June 30, 2015, which in the end decided to create a merely non-resident board of directors, *Sankei* commented that “although there is a view that the AIIB could a become an organization matching the title of international financial institution because of European countries' participation, in reality, it is hard to say that the turn-out is satisfactory.”⁵⁴ Similar comments were made again in early 2016.⁵⁵ *Yomiuri* avoided direct comments on the effect of Western countries' participation on the bank itself. But according its persistent questioning over the bank's neutrality and operation, *Yomiuri* clearly was not positive in this regard.

2015.

⁵³ “China-led Infrastructure Bank, Can Arbitrary Operation Be Prevented?” *Sankei Shimbun*, March 18, 2015.

⁵⁴ “Infrastructure Bank, Still Cannot Dissolve the Concerns over China,” *Sankei Shimbun*, July 2, 2015.

⁵⁵ “AIIB to Start Operation, Don't Allow China's Self-serving Governance,” *Sankei Shimbun*, January 19, 2016.

Chapter 5: The Correlation of Media Perception and Government Policy

This section examines the correlation between media perception and the Japanese government's policy reaction to the AIIB. It reveals that the Japanese government and the conservative *Yomiuri* and *Sankei* were largely synchronized over the AIIB issue. In line with the conservative papers' preference, the Japanese government has by far maintained a "cautious approach" to the AIIB since the bank was proposed, refrained from joining the bank and calling for China's clarification on major issues concerning the Bank's operation.⁵⁶ Also, the Japanese government reveals strong concerns over the new lender's operation and keeps close consultation with the United States. However, the *Asahi*, *Mainichi*, and especially *Nikkei*'s narratives on the AIIB did not lose their leverage completely. Despite the maintenance of "caution", the Japanese government never denied the possibility of participation and seriously considered such option. With the evolution of the domestic political landscape, Japan's more active involvement with the AIIB, including official participation, should not come as a surprise in the future.

5.1 Two Grand Strategies

As analyzed, the five national papers offer two different grand strategies for the Japanese government to cope with the AIIB: the strategy of shaping-it-from-inside that is advocated by *Asahi* and *Mainichi*, and the strategy of check-it-from-outside that is favored by *Sankei* and *Yomiuri*. Reflecting the ambivalent attitude of Japanese business

⁵⁶ See, for example, "Press Conference by Foreign Minister Fumio Kishida," *Ministry of Foreign Affairs, Japan*, September 2, 2014. http://www.mofa.go.jp/press/kaiken/kaiken4e_000097.html; "Press Conference by State Minister Kiuchi Minoru," *Ministry of Foreign Affairs, Japan*, April 9 2015. http://www.mofa.go.jp/press/kaiken/kaiken4e_000159.html, "Press Conference by Foreign Minister Fumio Kishida," *Ministry of Foreign Affairs, Japan*, May 13, 2015. http://www.mofa.go.jp/press/kaiken/kaiken4e_000151.html

community's reaction to the AIIB, *Nikkei*'s policy recommendation mixes elements of both strategies.

Advocating for more active involvement with the new bank, the *Asahi-Mainichi* camp laid out the shape-it-from-inside strategy — joining the bank in order to dilute China's influence, ensure the AIIB operates according to international norms and standards, and protect Japan's national interests from inside. *Mainichi*, for example, argued that “it would have been wiser for Tokyo to get involved in creating the framework for the bank and express opinions to make sure Japan's proposals could be reflected in the bank's policies.”⁵⁷ They regarded this strategy as a viable option for two reasons. First, after major European countries joined the bank, there was a chance for the AIIB to become an indeed diverse and relatively neutral international organization.⁵⁸ According to estimation, if Japan participated in the AIIB and the U.S. did not, as a regional member and the third largest economy, it would have nearly 10% of voting share, and if Japan and the U.S. both joined, Japan would have nearly 9% of voting share and the U.S. nearly 14%.⁵⁹ In both cases, Japan could utter a strong voice, allying with other Japan-friendly members such as western European countries. Second, as China strived to make the AIIB a widely recognized success, it had the necessity to listen to different voices from the bank's members in order to boost the reputation and credibility of the bank.⁶⁰

⁵⁷ “Japan Should Consider Join Asian Infrastructure Investment Bank,” *Mainichi Shimbun*, April 1, 2015.

⁵⁸ See, for example, “Toward the Active Involvement with China-led Infrastructure Bank,” *Nikkei Shimbun*, March 20, 2015.

⁵⁹ Masahiro Kawai, “Asian Infrastructure Investment Bank in the Evolving International Financial Order,” in *Asian Infrastructure Investment Bank: China as Responsible Stakeholder?* (Washington DC: Sasakawa Peace Foundation, 2015), 16.

⁶⁰ See, for example, “Toward the Active Involvement with China-led Infrastructure Bank,” *Nikkei Shimbun*, March 20, 2015.

In contrast, the *Sankei-Yomiuri* side urged Japan to stick to the wait-and-see approach and to refrain from participating in the bank at least for now. Despite the concerns over the bank's vision, governance, operation, and lending policies laid out above, they also articulated additional reasons to support their stance. First, they argued that China had not made satisfactory responses to Japan's inquiries over the new bank.⁶¹ "Until [China gives] convincing explanations, Japan must maintain cautious regarding joining [the bank]."⁶² Second, compared to the huge financial contributions that Japan need to make in order to become a member, estimated to be 30 billion U.S. dollars,⁶³ the economic benefits that it could gain through the new bank was trivial. *Yomiuri*, for example, contended that "Japan ranks alongside the United States as one of the two largest investor nations in the ADB. Despite this, Japanese companies only receive orders for a minuscule 0.3 percent of projects in which the bank is involved. It is doubtful that taking a seat at the AIIB, in which China has the dominant voice, would provide Japanese firms with benefits commensurate to the funds poured into it."⁶⁴ And finally, they implied in the discourse that Japan's keen security concerns over China also required Tokyo to maintain caution. *Sankei*, for example, stated that "in contrast to Japan and the United States, Britain and other European countries do not face the Chinese directly on the security front and hence probably meet a not-that-high hurdle for participation."⁶⁵ Subsequently, the *Sankei* and *Yomiuri* emphasized the importance of U.S.-Japan's cooperation on the AIIB issue in

⁶¹ See, for example, "Don't Confuse, Maintain Calm Response to the AIIB," *Sankei Shimbun*, April 17, 2015.

⁶² Ibid.

⁶³ "Can China-led AIIB Ensure Fairness, Transparency in Its Intel Operations," *Yomiuri Shimbun*, April 19, 2015.

⁶⁴ Ibid.

⁶⁵ "China-led Infrastructure Bank, Can Arbitrary Operation Be Prevented?" *Sankei Shimbun*, March 18, 2015.

order to push the new bank to operate according to international standards.

Nikkei's stance is more nuanced than the above two camps — on the one hand, *Nikkei* urges the government to consider the option of the AIIB membership under appropriate conditions; on the other hand, it also expresses misgivings about China's real intention behind the establishment of the new bank and recommends the government to strengthen policy coordination with the U.S. in order to promote the transparency of the AIIB's operation. This stance reflects the ambivalent attitude of Japan's business community toward the initiative. At the end of the day, the business community was most concerned with the potential adverse effects of Japan's non-participation in the AIIB on the overseas development of Japan's infrastructure industry. As the then-chairman of the Japan Association of Corporate Executive ("Keizai Doyukai"), one of the most influential corporate-sponsored associations composed of independent leading executives, Hasegawa addressed at a press conference in March 2015, "from the perspective of the business industry, although it [whether or not Japan should join the AIIB] is ultimately a decision for the government to make, I hope that Japan's non-participation would not cause any disadvantages for Japan's infrastructure business."⁶⁶ Similarly, chairman of Japan Business Federation ("Keidanren"), another major business association, Sakakibara made similar comments regarding the Japan's reaction to the AIIB on March 2015, arguing that "because the Asia-centered overseas infrastructure market is extremely important for Japan to participate in, plans and corresponding measures that will ensure

⁶⁶ "The Gist of Chairman of the Japan Association of Corporate Executive Hasegawa Yasuchika's Press Conference," *Keizai Doyukai*, March 31, 2015. <http://www.doyukai.or.jp/chairmansmsg/pressconf/2014/140331a.html>

Japanese corporates will not at a disadvantage in competitions are necessary.”⁶⁷ Therefore, the business community would like the government to take every measure, no matter shaping the new bank from inside or checking it from the outside, to ensure such adverse effects will not occur.

5.2 Synchronized with One Discourse but Constrained by Others

As discussed, under the strategy of check-it-from-outside, the *Yomiuri-Sankei* camp offers the Japanese government a set of policy recommendations that differs from *Asahi-Mainichi*'s prescriptions, the core elements of which include sticking to the wait-and-see approach regarding the participation issue, promoting quality infrastructure in Asia to differentiate with China's approach, and advancing U.S.-Japan policy coordination.

The Japanese government's reactions to the AIIB were largely in line with the conservatives' preferences. First, the Japanese government ruled out joining the new bank as a founding member. Since September 2014 when Foreign Minister Kishida for the first time clearly articulated Japan's concerns over the AIIB's relationship with existing financial institutions, the bank's governance, and its lending policies,⁶⁸ the Japanese government repeatedly cast skepticism over the new bank. Its skepticism centered on the bank's governance, lending policies, and the environment and social impact of its lending. Therefore, as March 31 2015, the deadline for governments to signal their interest in

⁶⁷ “China-led AIIB, Keidanran Chairman Expresses Sense of Vigilance,” *TV Asahi*, March 23, 2015. http://news.tv-asahi.co.jp/news_economy/articles/000046933.html

⁶⁸ “Press Conference by Foreign Minister Fumio Kishida,” *Ministry of Foreign Affairs of Japan*, September 2, 2014. http://www.mofa.go.jp/press/kaiken/kaiken4e_000097.html

becoming founding members of the new bank, passed, Tokyo held out on joining the new MDB as a founding member by arguing that China failed to give satisfactory answers to its concerns over the bank's governance, and instead continued to call on China to provide explanations on such concerns.⁶⁹ Meanwhile, on May 22, 2015, Japan launched its own initiative titled "Partnership for Quality Infrastructure" with the AIIB in mind.

This initiative would provide USD 110 billion for high quality infrastructure investment in Asia, which was comprised of four pillars — "expansion and acceleration of assistance through the full mobilization of Japan's economic cooperation tools," "collaboration between Japan and the Asian Development Bank (ADB)," "measures to double the supply of funding for projects with relatively high risk profiles by such means as the enhancement of the function of the Japan Bank for International Cooperation (JBIC)," and "promoting 'quality infrastructure investment' as an international standard."⁷⁰ Besides, Japan closely coordinated its stance on the AIIB with Washington. A document briefing the overview of the AIIB initiative that is released by Japan's Ministry of Finance on April 7 clearly indicated "maintaining close information and opinion exchange with the U.S., G7 countries, and other related parties" as one of the major measures for Japan to cope with the AIIB.⁷¹ On April 16, 2015, Japanese financial minister Aso and US Treasury Secretary Lew agreed on the need for the AIIB to "meeting high global standards" and to facilitate joint funding between the World Bank, the ADB,

⁶⁹ "Japan Rules Out Joining China-led Investment Bank as Founding Member," *The Japan Times*, March 31, 2015.

<http://www.japantimes.co.jp/news/2015/03/31/national/politics-diplomacy/aso-rules-japan-joining-china-le-d-investment-bank-founding-member/#.V6akYZMrLq0>

⁷⁰ "Partnership for Quality Infrastructure Investment for Asia's Future," *Ministry of Economy, Trade, and Industry, Japan*, May 20, 2015. <http://www.meti.go.jp/press/2015/05/20150521003/20150521003-2.pdf>

⁷¹ "Japan-US Position on the AIIB Initiative," *Ministry of Finance, Japan*, April 7, 2015.

https://www.mof.go.jp/about_mof/councils/customs_foreign_exchange/sub-foreign_exchange/proceedings/material/gai20150407/03.pdf

and the AIIB in their meeting.⁷² During Abe’s visit to the United States on April 2015, Abe and Obama stressed the necessity for the two countries to cooperate on this issue and reconfirmed the two countries’ common position on the AIIB.⁷³ Beyond bilateral cooperation, in the Inaugural U.S.-India-Japan Trilateral Ministerial dialogue held on September 29 2015, with the AIIB in mind, the three countries launched an experts-level group to identify collaborative efforts in infrastructure development field that can help strengthen South-Southeast Asia regional connectivity.⁷⁴

However, the synchronization between the Japanese government and the *Yomiuri-Sankei* discourse did not designate that *Asahi*, *Mainichi*, and *Nikkei*’s discourse lost their leverage in the policy-making circle. Despite the maintenance of “caution”, Tokyo began to consider the option of participation seriously and made preconditions of Japan’s participation clear after Western countries’ jumping on board. Then-Senior Vice Minister of Finance Miyashita indicated explicitly on Mar 23, 2015’s press conference that Japan’s participation hinged on two preconditions: the first is that “as the representative of members, the board will strictly perform examination and approval procedures on individual cases” and the second is “ensure careful considerations of the impact on the debt sustainability, environment, and society.”⁷⁵ This position was reiterated later on

⁷² “Japan-U.S. Financial Ministerial Meeting Agrees that the AIIB Should Operate Based on International Standard,” *Asahi Shimbun*, April 17, 2015.

⁷³ “Remarks by President Obama and Prime Minister Abe of Japan in Joint Press Conference,” *White House*, April 28, 2015. <https://www.whitehouse.gov/the-press-office/2015/04/28/remarks-president-obama-and-prime-minister-abe-japan-joint-press-confere>

⁷⁴ “U.S.-India-Japan Trilateral Ministerial dialogue, Balancing China, ‘Deep Concerns’ Over the South China Sea,” *Mainichi Shimbun*, September 30, 2015. <http://mainichi.jp/articles/20150930/dde/007/010/025000c>

⁷⁵ “Press Conference by Senior Vice Minister of Finance Ichiro Miyashita,” *Ministry of Finance, Japan*, March 23, 2015. https://www.mof.go.jp/public_relations/conference/my20150323.htm

various occasions. Meanwhile, the business community's increasing concerns over the adverse effect of being a holdout seemed also to push the government toward the direction of participation. Arguing that the business community was mounting an effective campaign for joining the new bank, Japanese ambassador to China Kitera suggested on March 2015 as June 2015 as a good time for Japan to sign up.⁷⁶ Although his suggestion did not realize, the business community's concerns persisted. On January 2016, the chairman of the Japan Association of Corporate Executive ("Keizai Doyukai") Kobayashi positioned Japan's participation in the AIIB as a "good chance" for Japanese corporates, pushing the government to consider the option of joining.⁷⁷ The business community has powerful influence on Japanese government's policy making and the policies of the Abe administration has consistently attuned to the business community.⁷⁸ If pressure from the business community continues to mount, Japan's reconsideration of the AIIB should not come as a surprise.

⁷⁶ Henry Sender, "Japan Expected to Join Asian Infrastructure Investment Bank," *Financial Times*, March 30, 2015. <https://next.ft.com/content/40b0fff8-d6ae-11e4-97c3-00144feab7de>

⁷⁷ "The Gist of Chairman of the Japan Association of Corporate Executive Kobayashi Yoshimitsu's Press Conference," *Keizai Doyukai*, January 18, 2016. <http://www.doyukai.or.jp/chairmansmsg/pressconf/2015/160118a.html>

⁷⁸ Takashi Sekiyama, "The Economics of Rapprochement: Can Japan and China Bury the Hatchet?" *The Tokyo Foundation*, October 16, 2014. <http://www.tokyofoundation.org/en/articles/2014/economics-of-rapprochement>

Chapter 6: Conclusion

A scrutiny of the AIIB-centered editorials by Japan's five national newspapers reveals a great diversity of opinions, especially regarding how to best cope with the AIIB, and high sensitivity to changes in the international community. The thesis also shows that although the Japanese government adopted policies that were in line with the conservative *Yomiuri* and *Sankei*'s discourse, the *Asahi*, *Mainichi*, and *Nikkei*'s views also carried their weight by pushing Tokyo to consider alternatives to its holdout policy. These findings suggest that as Japan's perception of the AIIB is subject to change, Japan and China are far from locked in zero-sum competition over leadership in funding regional infrastructure development — changes in the international community might prompt evolution of Japanese domestic perceptions over the AIIB; and the evolution of Japanese domestic politics might cause the government to lean to the currently underappreciated discourse and to shift policies on the AIIB. Japan's more active engagement with the AIIB, even membership, should not come as a surprise to analysts.

The results of this study have important implications. China's activism of creating new multilateral institutions shows no signs of fading, as it recently proposed to debut a new Asian financial cooperation association.⁷⁹ Consequently, Japan's concerns over the AIIB are highly likely to be repeated over other China-led initiatives. Therefore, if China's policy makers would like to involve Japan into its proposals, it needs to devote more energy to addressing these concerns. Meanwhile, as shifts in international circumstances

⁷⁹ Shuhei Yamada, "China Proposes New Asian Financial Association to Start in July," *Nikkei Asian Review*, March 26, 2016.
<http://asia.nikkei.com/Politics-Economy/International-Relations/China-proposes-new-Asian-financial-association-to-start-in-July>

do change to some extent the discourse of the Japanese press, China should make more effort to creating favorable international views toward its initiatives if it would like to win Japan's support.

Building on the findings of this thesis, there are at least three avenues for future research. First, this thesis only examined Japanese media's perceptions of one China-led track-one multilateral initiative in one field. More research should be conducted to survey Japanese media's perception of China-sponsored initiatives of different fields and of different levels, such as the SCO, which is an initiative mainly focusing on security, and the Boao Forum for Asia (BFA), which is a track-two economic initiative. Through such studies and comparison of perceptions of different initiatives, we might be able to track how Japan's perception changes toward China, to explore sources of Japan's mistrust, and to find out areas that the two countries could jointly exert leadership in the process of regional integration. Second, as media, in spite of its great importance, is merely one institution of many that affect a country's decision-making, the subject of perception survey should be extended to the public, different players inside the government, corporates, and so on in order to get a whole picture of how Japan perceives China's leadership in regional affairs. Finally, Japan is merely one side of the story. To fully capture the prospects of Sino-Japan cooperation on each other's regional initiatives, we need to understand China's perception of Japan's regional leadership. These puzzles remain unsettled.

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