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# Japan's Reluctant Embrace of BRI?

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China's Belt and Road Initiative (BRI, formerly called One Belt, One Road or OBOR) has been attracting significant attention of the international community in both positive and negative ways since its announcement in 2013 by the President Xi Jinping. How Japan would respond to the BRI becomes an important topic of discussion among scholars and practitioners of strategic issues because the Japan's Abe administration promotes "the free and open Indo-Pacific Strategy" which stands on different principles of the international order from those of the BRI. Nonetheless the Japanese government recently seems to show a positive stance on the China's initiative. This paper will first examine the changes, if exist, in Japanese policy towards the BRI, then discuss Japan's intention and goals of the current policy.

## Japan's Initial Stance on BRI: Cautious and Suspicious

The BRI is initiated and strongly promoted by the Chinese President Xi Jinping himself. Xi Jinping visited Kazakhstan in September 2013 and made a speech at Nazarbayev University. During his address Xi emphasized the need for China and the Central Asian nations to enhance cooperation and coordination for economic development. In particular Xi advocated that these countries should improve traffic connectivity from the Pacific Ocean to the Baltic Sea, and gradually move toward the development of a network of transportation that connects Eastern, Western and Southern Asia. Xi also urged the regional states to promote local-currency settlement to improve their immunity to financial risks and their global competitiveness. President Xi proposed that China and the regional nations join hands to build a Silk Road Economic Belt to boost elements of economic cooperation he mentioned in his speech.<sup>1</sup>

In October 2013, President Xi Jinping visited Indonesia and delivered a speech to Indonesian lawmakers about China's policy toward the Association of Southeast Asian Nations (ASEAN) including Indonesia. He urged the both parties need to build a China-ASEAN

<sup>1</sup> "Xi Suggests China, Central Asia Build Silk Road Economic Belt," *Xinhua*, September 8, 2013.

community of common destiny. To achieve this end Xi argued that two sides should build trust and develop good-neighborliness. Xi expressed China's hope to sign a Treaty of Good-Neighborliness and Cooperation with the ASEAN. In an economic front Xi proposed to build the 21<sup>st</sup>-Century Maritime Silk Road which connects China's coast with Europe and South Pacific through the South China Sea. In addition Xi declared that China should establish the Asian Infrastructure Investment Bank (AIIB) that would support infrastructure connectivity between ASEAN countries as well as other developing countries in the region.<sup>2</sup>

During his speech in Kazakhstan and Indonesia respectively, Xi Jinping announced his new regional strategies, the Silk Road Economic Belt and the 21<sup>st</sup>-Century Maritime Silk Road (OBOR/BRI) to the public. The Japanese Abe administration showed little response to the OBOR mainly because substance of the Xi's proposals was so vague that the Japanese government could not properly evaluate the impacts which the OBOR might cause in the region. Regarding to the AIIB Japan took a cautious stance. Japan was suspicious of China's intention to establish the AIIB for reducing the Japanese leadership in the existing financial institutions for development assistance in Asia, such as the Asian Development Bank (ADB). China swiftly took the steps for establishing the AIIB. In October 2014, twenty-one countries signed a Memorandum of Understanding (MOU) for establishing the AIIB. Until March 2015, up to fifty-seven countries, including Australia, France, Germany, India, South Korea and the United Kingdom, signed-up as founding members of the AIIB, and the bank was formally established in December 2015.

Japan decided not to become a member of the AIIB. Japan was worried about possible negative impacts which the AIIB might cause on the existing infrastructure development programs led by the ADB and other financial institutions. In March 2015, Japanese Finance Minister Taro Aso told that Japan's concern over the AIIB was its ability to sustain debt and respond to the environmental and social impacts of infrastructure development. Therefore, "it would be the most desirable that the AIIB will work together with the ADB to develop infrastructure in Asia," he said.<sup>3</sup> In April 2015, the Japanese Prime Minister Shinzo Abe met the Chinese President Xi Jinping in Jakarta. In this summit meeting Xi insisted that the China's proposals of OBOR and the AIIB had been widely welcome by the international society.<sup>4</sup> In response to Xi, Abe asked him to provide clear explanation about maintenance of good governance and debt sustainability for borrowers regarding the AIIB. Abe also pointed out Japan closely watched how the OBOR would materialize in future.<sup>5</sup>

## **Japan Comes to Look BRI Positively?**

China accelerated its efforts to promote the BRI in 2015. The National Development and Reform Commission (NDRC) of China issued the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup>-Century Maritime Silk Road" which described principles, frameworks, areas of cooperation and future plans of the BRI. This paper was published by the Chinese government with an aim to "promote the implementation of the Initiative, instil vigour and vitality into the ancient Silk Road, connect Asian, European and African

<sup>2</sup> "China Vows to Build Community of Common Destiny with ASEAN," *Xinhua*, October 3, 2013.

<sup>3</sup> "Japan Finance Minister Says Would be Desirable for AIIB to Work with ADB," *Reuters*, March 24, 2015.

<sup>4</sup> 「习近平会见日本首相安倍晋三」新华网、2015年4月23日。

<sup>5</sup> 「日中首脳会談」外務省ホームページ、2015年4月23日。

countries more closely and promote mutually beneficial cooperation to a new high and in new forms.”<sup>6</sup> Additionally, the Chinese Communist Party established a leading small group on advancing the development of the Belt and Road in February 2015. This leading small group was headed by Zhan Gaoli, a member of the Politburo Standing Committee, and supported by four Politburo members, indicating the Party’s resolve for promoting the BRI.<sup>7</sup>

China hosted the Belt and Road Forum for International Cooperation in May 2017. This forum was the first large-scale international conference on the BRI organized by the Chinese government and attended by twenty-nine heads of countries. President Xi Jinping put great importance on the forum because he had strongly promoted the BRI, making it a representative element of his diplomacy.<sup>8</sup> In the context of Chinese domestic politics it was greatly important for Xi Jinping to demonstrate that the BRI was supported and admired by a lot of nations through the forum, resulting in enhancing his political authority for the nineteenth National Congress of the CCP in October 2017. Consequently, Xi came to expect Japan’s involvement into the BRI and invited Prime Minister Abe to attend the forum.

Abe did not attend the BRI forum, instead, he sent Toshihiro Nikai, secretary-general of the ruling Liberal Democratic Party (LDP) to the forum. Nikai is one of the powerful leading members of the LDP having close relations with Prime Minister Abe and a famous pro-China lawmaker. Nikai attended the forum and met President Xi Jinping with a letter from Prime Minister Abe. At the meeting Xi pointed out that China and Japan should jointly make efforts in improving their relations. To this end, Xi urged the both countries to promote economic cooperation including the BRI. He said to Nikai, “the BRI is a new platform and ‘experimental field’ to achieve common development and mutually beneficial cooperation for China and Japan. The Japanese side made clear its affirmation of the BRI. We welcome the Japanese side to conduct cooperation with China within the framework of the BRI.”<sup>9</sup>

Facing with the Xi Jinping’s request for Japan to cooperate with China “within the framework of the BRI,” Japan still showed a cautious stance on the BRI. At the BRI forum, the Japanese Foreign Minister Fumio Kishida told in a press conference that meaningful discussion took place among the participants on key points related to contributing to sustainable regional development and other matters. Furthermore, he explained Japan’s view at the BRI that the concept should be open to all countries and be promoted as a high quality concept that meets international standards. Regarding the AIIB, Kishida insisted that Japan maintains its existing policy of closely following the AIIB, with our attention on whether it contributes to sustainable development.<sup>10</sup> From Kishida’s comments on the BRI forum, Japan’s stance on the BRI can be understood that Japan does not oppose the BRI but expects that it makes contributions to the regional economy under the conditions of maintaining inclusiveness and global standards for high quality.

<sup>6</sup> National Development and Reform Commission, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21<sup>st</sup> Century Maritime Silk Road,” March 2015, 2015.

<sup>7</sup> 「“一带一路” 建设工作领导小组成员亮相」 新华网、2015年2月2日 and Nadège Rolland, “China’s Belt and Road Initiative: Five Years Later,” *The National Bureau of Asian Research*, January 25, 2018.

<sup>8</sup> Masafumi Iida and Hirofumi Kiriyama, “Xi Jinping Confronts Problems as He Seeks to Consolidate His Power,” *East Asian Strategic Review 2018* (National Institute for Defense Studies, 2018), p. 55.

<sup>9</sup> “Xi Jinping Meets with Secretary-General of the Liberal Democratic Party Toshihiro Nikai of Japan,” *Ministry of Foreign Affairs of China Website*, May 16, 2017.

<sup>10</sup> “Press Conference by Foreign Minister Fumio Kishida,” *Ministry of Foreign Affairs of Japan Website*, May 16, 2017.

Prime Minister Shinzo Abe expressed a more affirmative view on the BRI and further clarified the conditions on which Japan puts importance on in considering bilateral cooperation for developing infrastructures with China. In his speech at the 23rd International Conference on The Future of Asia in June 2017, Abe positively described the BRI as it held the potential to connect East and West as well as the diverse regions found in between. Regarding infrastructure, Prime Minister Abe maintained that it was critical for infrastructure to be open to use by all and to be developed through transparent and fair procurement. He also insisted that projects should be economically viable and to be financed by repayable debt, and not to harm the soundness of the debtor nation's finances. Prime Minister Abe also stated that the BRI was expected to incorporate such aforementioned principles and to contribute peace and prosperity of the region and world and that Japan was ready to cooperate with China from this perspective.<sup>11</sup>

China regarded the remarks of Prime Minister Abe as positive message by Japan towards China's interests and took further steps to improve its relations with Tokyo. In July 2017, Xi Jinping met Shinzo Abe in Hamburg, Germany, on the occasion of the G20 summit meeting. At the meeting Xi told that Japan was expected to further materialize its willingness for improving the relations with China in policies and actions. He also mentioned that China welcomes the expansion of bilateral cooperation within the framework of the BRI.<sup>12</sup> On the other hand the Japanese Foreign Ministry announced that the both leaders shared the view that Japan and China would discuss how to contribute to the stability and prosperity of the region and the world, including the BRI.<sup>13</sup> At the summit meeting held at Da Nang, Vietnam, in November 2017, President Xi said, "mutually beneficial cooperation is the momentum to drive the China-Japan relations forward. The two sides should improve the level of practical cooperation, actively promote regional economic integration, and push cooperation within the framework of the "Belt and Road" for implementation at an early date in the new situation."<sup>14</sup> But the Japanese Foreign Ministry explained that the two countries shared the view that they would together discuss how Japan and China would contribute to the stability and prosperity of the region and the world, including the BRI. In addition, the two sides shared the view that promoting business between private-sector companies as well as Japanese and Chinese business in third countries would also be beneficial to the development of the countries concerned.<sup>15</sup>

There exists clear difference in context of the BRI between Japan and China regarding bilateral economic cooperation. China seeks to pursue economic cooperation with Japan "within the framework of the BRI." However, Japan insists that the two countries should discuss cooperation for contributing to stability and prosperity "including the BRI." And as mentioned before, Japan puts clear conditions to the possible infrastructure development cooperation with China relating to the BRI: open to use; transparent and fair procurement; economic viability; and soundness of debtor nation's financing. Furthermore, Japan proposes bilateral private-sector business cooperation in third countries without mentioning the BRI.

<sup>11</sup> "Asia's Dream: Linking the Pacific and Eurasia,' Speech by Prime Minister Shinzo Abe at the Banquet of the 23rd International Conference on The Future of Asia," *Prime Minister of Japan and His Cabinet Website*, June 5, 2017.

<sup>12</sup> 「习近平会见日本首相安倍晋三」『人民日报』2017年7月9日。

<sup>13</sup> "Japan-China Summit Meeting," *Ministry of Foreign Affairs of Japan Website*, July 8, 2017.

<sup>14</sup> "Xi Jinping Meets with Prime Minister Shinzo Abe of Japan," *Ministry of Foreign Affairs of China Website*, November 11, 2017.

<sup>15</sup> "Japan-China Summit Meeting," *Ministry of Foreign Affairs of Japan Website*, November 11, 2017.

## Japan's Proactive Involvement with the BRI

The Japanese government actively pushes forward business cooperation in third countries between Japan and China recently. Cabinet Secretariat, Ministry of Foreign Affairs, Ministry of Finance, Ministry of Economy, Trade and Industry as well as Ministry of Land, Infrastructure and Transport jointly issued a guideline of bilateral business cooperation in third countries for Japanese enterprises in November 2017.<sup>16</sup> The guideline reiterates Japan's principles for cooperation with China in developing infrastructure but encourages Japanese companies to explore business cooperation with their Chinese counterparts in third countries for building infrastructure in three categories: energy conservation and environmental protection; sophistication of industrial foundation; and practical use of physical distribution networks between Asia and Europe. The guideline also expresses that the Japanese government will provide financial assistance to projects in third countries through governmental financial institutions on a case-by-case basis.

In May 2018, the Chinese Premier Li Keqiang paid an official visit to Japan and held a summit meeting with Prime Minister Abe in Tokyo. At the meeting Premier Li pointed out that practical cooperation is an important engine and support for the development of China-Japan relations and urged that the two sides should discuss "Belt and Road" cooperation and jointly explore third-party market.<sup>17</sup> Prime Minister Abe explained to Premier Li that Japan would explore the possibilities for cooperation in third countries, based on international standards such as openness, transparency, economic viability, and financial sustainability.<sup>18</sup> The two leaders agreed to establish a committee to discuss specific projects for business cooperation in third countries and to hold a forum as a place for exchanges among private companies when Prime Minister Abe visit China. After this summit meeting the two governments signed the Memorandum on Business Cooperation in Third Countries between Japan and China.<sup>19</sup>

Now Japan comes to agree with China to pursue "business cooperation in third countries," not the BRI itself. China insists that it has signed documents on the BRI cooperation with more than one hundred countries and international institutions, however, the MOU which Japan and China signed is clearly outside of this framework. Japan is open to support business cooperation between the two countries on infrastructure projects which are consistent with international standards. The Japan's principle that any cooperation for infrastructure development should base on international standards has not changed at all. It means Japan does not necessarily deny business cooperation with China on some infrastructure building projects "within the framework of the BRI," but just in case that they meet international standards as other projects funded by existing international financial institutions such as the ADB and the World Bank. What Japan changes in its approach to the BRI is to express not a negative but rather an affirmative message to China without making any compromise in principles.

<sup>16</sup> 内閣官房、外務省、財務省、経済産業省、国土交通省「『第三国での日中民間経済協力』について」2017年11月。

<sup>17</sup> "Li Keqiang Holds Talks with Prime Minister Shinzo Abe of Japan: Stressing to Strive to Achieve Long-term, Healthy and Stable Development of China-Japan Relations," *Ministry of Foreign Affairs of China Website*, May 10, 2018.

<sup>18</sup> "Premier of the State Council of China Li Keqiang Visits Japan: Japan-China Summit Meeting and Banquet," *Ministry of Foreign Affairs of Japan Website*, May 9, 2018.

<sup>19</sup> "Japan and China Conclude Memorandum on Business Cooperation in Third Countries," *Ministry of Economy, Trade and Industry Website*, May 10, 2018.

One of the purposes of Japan's new approach to the BRI is to moderate China's excessive economic and political influence on the countries accepting infrastructure projects under the BRI. It is impossible for Japan to balance China's growing influence stemming from the BRI project as a whole, but Japan can reduce China's influence in some countries through involving with infrastructure programs assisted by China. For example, the Eastern Economic Corridor Development Program (EECDP) in Thailand is regarded as a candidate for business cooperation in third countries between Japan and China. Jointly participating in this program, Japan can reduce China's influence on Thailand by preventing the EECDP from solely depending on China's investment. In addition, international standards which Japan applies to the EECDP will surely be helpful for constructing higher quality infrastructures in this program.

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Japan also seeks to improve bilateral relations with China by the new approach to the BRI. Due to growing China's assertive activities in maritime domain including its challenge against the Japanese sovereignty on the Senkaku Islands, Japan-China relations had been deteriorating for years. However, maintaining stable relations with China is one of the important national interests of Japan. Especially to deal with security threats from North Korea, Japan needs more frequent high-level exchanges with China. Prime Minister Abe delivered clear signal to President Xi that Japan is ready to improve its relations with China through showing affirmative stance on the BRI which is Xi's distinctive foreign policy. Xi welcomed Abe's signal and took steps for better relations with Japan. Facing with the growing criticism about the BRI, Xi took advantage of Abe's new approach to legitimize his policy on the BRI and enhance his political authority in Chinese politics.

Judging from discussion above, Japan did not reluctantly embrace the BRI, instead, Japan's proactive involvement with the BRI aims at achieving two diplomatic goals: reducing China's influence on third countries based on the BRI; and improving bilateral relations with China. Japan reached these goals without making compromise with China on its original principles for infrastructure development cooperation such as openness, transparency, economic viability and financial sustainability. Although China claims that Japan accepts cooperation with China within the framework of the BRI, actual business cooperation in third countries between the two countries will show very different shape from on-going infrastructure programs under the BRI.