

# Analysis of Sino-Japan Cooperation under the framework of The Belt and Road: Development Course and Motivation

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**ABSTRACT:** *In 2013, the People's Republic of China announced the Belt and Road (B&R) initiative. The Belt and Road initiative follows the principle of extensive consultation and shared benefits, enhancing the communication of bilateral and multilateral cooperation mechanisms to provide a chance of building the community of common destiny for all mankind. The Belt and Road initiative places China at the center of geopolitics and geoeconomics in Asia and beyond, which hopes to strengthen its economic connectivity and interaction between Asia, Europe, and Africa. Correspondingly, Japan is the beneficiary of economic globalization and the open world economy. Global power shifts, economic uncertainty, and huge domestic pressures have reshaped Japan's stance towards the Belt and Road initiative, shifting from non-co-operation to active participation in China's Belt and Road initiative. As the second and third-largest economies in the world, China and Japan are located in the big family of the Asia-Pacific. Mutually beneficial cooperation is the driving force for the development of China-Japan relations.*

**KEYWORDS:** *The Belt and Road initiative, Sino-Japan cooperation*

## The Development and Benefits of the Belt and Road for China and the world

The Belt and Road initiative is China's crucial diplomatic cooperation initiative which is also an economic policy. It advocates the strengthening of trade between the countries along the Ancient Silk Road and jointly creates a community of shared

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interests featuring political mutual trust, economic integration, and cultural inclusiveness.i

In the promotion of the Belt and Road fifth anniversary symposium, President Xi once said: "The world today is undergoing major developments, major changes, and major adjustments. We need to adopt a strategic and global perspective, being aware of both risks and dangers, as well as historical opportunities, and working hard to steer the course of such great changes, which have not been seen in a century. To build a community with a shared future for mankind through the Belt and Road initiative is a practical platform. It is proposed in the context of China's reform, opening-up, and long-term development. It is also in keeping with the Chinese nation's vision of a world of great unity and harmony among all nations. Jointly building the Belt and Road initiative is not only economic cooperation, but also an important way to improve the global development model and global governance as well as the healthy development of economic globalization."

Judging from the situation in recent years, the world's political and economic patterns are changing. After the collapse of the Soviet Union, the world order was dominated by western economies, especially the United States, such as the World Trade Organization, the World Bank, etc, while developing countries can only be subordinate or marginalized. However, in the 1990s, as a new wave of globalization began, the majority of emerging markets and developing countries seized the opportunity and rose rapidly. As the largest developing country in the world, China has always been at the forefront, playing a leading role and becoming the most powerful example of its rising momentum. Since the Reform and Opening-up era started, China's economy has achieved rapid development, especially after its accession to the WTO in 2001, the growth of foreign trade has enabled China's economy to grow rapidly for more than ten years. With the rapid rise of China's economy, the relationship between the economic strength of the world's great powers has also undergone a sharp change, which is highlighted by the sharp change in the relationship between the economic strength of the world's top three economies -- the United States, China, and Japan. During the period from 2000 to 2019, China's gross domestic product (GDP) has increased by 10.6 times, while America's GDP has only doubled and Japan's has barely changed.ii

The Belt and Road initiative is in line with the times when China's economy has developed to a certain extent. China's economy has a certain influence in the world to lay a foundation for the Belt and Road development. B&R and China's economic strength both supplement each other, to help keep China in Asia and beyond the central position of the geopolitical and geo-economic. Keeping up with the tide of the times and the world situation, B&R which provides a platform for creating the human destiny community drives the development of the Asian economy and radiates throughout the whole of Asia and even the world economic trend.

### **Japan's Changing Position**

Before 2017, Japan's doubts about B&R mainly focused on three points. Firstly, Japan is highly vigilant about China's intention to promote the initiative. Because Japan believes that China will use B&R as a geo-strategic tool to strengthen the regional economic influence and hence weaken Japan's regional control through the establishment of the Asian Infrastructure Investment Bank(AIIB) and other financial means based on the initiative. Secondly, Japan concerns that the implementation of the initiative will adversely affect Japan's economic interests, especially its market share. This is due to the promotion of B&R, which will occupy Japan's overseas market and therefore lead to intensified competition between Japan and China in regional infrastructure construction investment. Thirdly, it is doubtful about China's ability and prospects to promote the initiative. To be specific, Japan believes that in using financing to promote infrastructure construction along the B&R line, China may lack organizational experience, and also the operation is not transparent enough, as well as coordination is difficult to be effective, which may hence form non-performing loans and investments. This will discourage the participation of relevant countries, raise doubts about the over-reliance on Chinese funds, and ultimately put the B&R construction in trouble.<sup>iii</sup>

Therefore, when the AIIB agreement was formally signed in June 2015, Japan did not participate, abandoning its status as a founding member. At the same time, Japan and the United States have accelerated the negotiation process of the trans-pacific partnership agreement (TPP) and strengthened cooperation with the Philippines, Vietnam, Australia, India, and other countries to counter and contain China's Belt and Road initiative.

However, since the first half of 2017, there have been positive signs in Japan's attitude towards the Belt and Road initiative. In May 2017, Toshihiro Nakai, the LDP secretary-general, led a delegation to attend the Belt and Road Forum for international cooperation in Beijing. In the second half of 2017, China-Japan cooperation under the Belt and Road framework began to appear in the topics of the China-Japan summit. On July 8, 2017, President Xi met with Prime minister Shinzo Abe during the G20 Hamburg summit, welcoming the cooperation between the Japanese side and China within the Belt and Road framework. Prime minister Abe said Japan is willing to deepen cooperation with China in the economy, trade, finance, tourism, and other fields and explore cooperation under the Belt and Road framework. This is the first time that the leaders of Japan and China have agreed to cooperate on the Belt and Road since it was introduced four years ago. On November 11, 2017, President Xi met with Prime minister Abe again while attending the 25th APEC Economic Leaders' meeting in Da Nang, Vietnam. They discussed again on cooperation under the framework of the Belt and Road. Prime minister Abe said Japan hopes to strengthen high-level exchanges with China, carrying out mutually beneficial economic and trade cooperation, and actively exploring cooperation within the framework of connectivity and the Belt and Road. <sup>iv</sup>On November 20, 2017, Japan sent its largest-ever economic delegation to China, hoping to explore more business opportunities from the Belt and Road

construction.v On November 30, 2017, Japanese society sponsored by the Asian community in Asia international symposium on environmental energy cooperation all the way held in Tokyo. At the conference, Yasuo Fukuda gave a speech that introduced the view of China's development and the relations between China and Japan, saying the area along the way is different from the traditional western military alliance between the new model of partnership. The East Asian countries should draw lessons from the experience of practice all the way, is committed to building an East Asian community and founded the area along the Japan research center. On December 28, 2017, Toshihiro Nikai visited China again and called for the ministerial high-level Economic dialogue to be held as soon as possible to push forward the above issues.vi It is clear to see that in only one month, the two sides have conducted many exchanges on the Belt and Road and Sino-Japan cooperation, which showed that the Japanese official's statement on the Belt and Road has turned to be positive.

During the Osaka Meeting in June 2019, the leaders of China and Japan reached the “Ten-point Consensus”. Under the “overall framework of China-Japan relations that meets the requirements of the new era”, the “Ten-point Consensus” has set clear goals and rich connotations for economic relations. The fourth point of “Ten-point Consensus” clearly points out that “the two leaders agreed to further deepen the convergence of interests between their countries and strengthen mutually beneficial cooperation in a wide range of areas such as science and technology innovation, protection of intellectual property rights, trade and investment, finance, medical and health, old-age care, energy-saving, and environmental protection and tourism. The Japanese side sees B&R Initiative as a promising idea for linking diverse regions, while China welcomes Japan to actively take part in the high-quality construction of the Belt and Road. The two sides will continue to strive for solid results in third-party market cooperation. China and Japan support their respective enterprises to expand mutual investment and pledge to provide a fair, non-discriminatory, and predictable business environment for the other's enterprises.” The ninth point further emphasized that “the two leaders believe that China and Japan, both important Asian countries and major global economies, should jointly safeguard multilateralism and the free trade system, actively steer regional integration, advance the building of an open world economy, and promote the common development of all countries. The two sides agreed to make the G20 play an important role in promoting the steady development of the world economy and improving the global governance system. They also agreed to accelerate negotiations on the China-Japan-South Korea Free Trade Agreement and strive for concluding negotiations on the Regional Comprehensive Economic Partnership within the year.”vii Although the two sides have made similar noises in 2017, it is also beneficial for the Belt and Road to be clear again on this crucial occasion on the eve of the G20 summit in Osaka.

## **The Motivation behind Sino-Japan Cooperation**

### **I. Japan's Own Disadvantages**

Japan has many disadvantages. For example, in terms of geographical conditions, Japan has a small territory and its domestic resources are relatively deficient. In terms of population resources, Japan's increasingly aging population in recent years has led to a reduction of the labor force. As a result, Japan is highly dependent on the international market.

During the period from the 1960s to 1970s, the postwar Japan experienced a golden development period with high economic growth, increasing exports, which are mainly under the guidance of "Trade nation-building strategy", relying on the rapid expansion of foreign trade to lead and drive, forming the export-oriented economic development model. However, the model directly resulted in the trade imbalance becomes increasingly serious, especially for its trade surplus with the United States, its largest trading partner, has ballooned. This has led to growing trade frictions between the United States and Japan. Entering the 1980 s, Japan's economy has entered the golden age, the products made in Japan have been throughout all over the world, and Japanese companies are making investments and acquisitions heavily worldwide. Meanwhile, along with the rapid economic growth of the ASEAN and other countries and regions, updating global trade liberalization and regional economic integration, Japan's trade with developing countries and regions such as East Asia is growing day by day, while its trade with developed countries such as Europe and America is relatively declining. In 1985, Japan overtook the USA as the world's largest creditor. In the same year, the "Plaza Accord" signed made the yen's sharp appreciation, which raised the status of the yen in the international monetary system, promoting a significant increase in Japan's outbound investment. "Plaza Accord" also provided expansion opportunities for Japanese companies overseas. However, at the same time, the Japanese economy also has planted the bomb bubble. Ultimately, tight monetary policy punctured the bubble in the stock market, which plunged into a 20-year bear market since 1990. What followed were the Great Recession, massive layoffs, increasing unemployment, and massive bank failures. As a result, the economic downturn lasted for two decades. In 2012, Prime minister Abe launched his Abe economic policies, which tried to turn over 20 years of economic recession in Japan. Since its implementation, although Japan's economy recovered slightly, it has maintained a state of low-speed expansion. Specifically, GDP and CPI, the two most important economic indicators, have not shown sustained improvement.

At the same time, China has become the main power of East Asian economic growth. The Belt and Road can not only provide Japan with an overseas market share platform but also enhance its influence on those countries along the Belt and Road line. Additionally, the Belt and Road can promote multilateralism and seek win-win cooperation, which is largely in line with Japan's objective of preserving and revitalizing The international free trade regime.

## **II. The Impact of China-US relations on Japan**

Nowadays, China's economic power is edging closer to that of the United States, while Japan, as the world's third-largest economy, lags far behind. Due to the trade war, COVID-19 confrontation, the situation in the South China Sea, and issues concerning Hong Kong and Xinjiang, China-US relations have been in constant friction. The US has not only used these issues to strengthen its strategic containment against China but also intensified its efforts to force its allies to strengthen their anti-China alliance, especially Japan is one of its targets.

In addition, in terms of the world situation, Brexit, the withdraw of the US from TPP and the playing of trade protectionism, the stagnation of the WTO negotiations and the slow progress of the reform of the international financial mechanism have all dealt a heavy blow to the development of global and regional economic cooperation and damaged the economic interests of Japan, which is highly dependent on foreign trade. For Japan, how to "choose sides" will directly affect and even determine its strategic positioning of China-Japan economic relations in the new era. Amid the decline of its security Allies and the rise of regional rivals, Japan has been forced to reassess its relations with the United States and China and maintain a balance between the two countries.

## **III. An Irresistible Trend of Cooperation Led by the International Situation**

Modern regional cooperation is dominated by big powers. For example, in Europe, there is a Franco-German alliance; in North America, it is led by the United States; while in East Asia, China and Japan, as the second and third-largest economies in the world, need to play a greater role together.

Since the 1990s, the European Union has signed on "Economic and Monetary Union treaty"; The United States, Canada and Mexico signed and implemented the "Free Trade Agreement", which put Japan at a disadvantage in the world economic structure. Japan's economic development has been stagnant for more than 10 years. With the Japanese economy falling into long-term depression, its driving effect on the economic growth and cooperation in East Asia has gradually faded away. The impact of Britain's Brexit could make it harder to reverse a period of yen appreciation which may hit exports. Some of the Japanese companies which originally invested in Britain have products aimed at the entire European Union market, while now the prospect is in doubt. The favorable environment for a weaker yen and higher stock prices, on which Abenomics relied so heavily, has changed as well.

Since 2013, the market needs of emerging and developing countries gathered by the Belt and Road initiative have become increasingly prominent. According to data from the AIIB, it is estimated that from 2015 to 2030, the demand for new infrastructure construction in Asia will reach 38 trillion US dollars, with an average annual funding gap of 1.4 trillion US dollars. If Japanese enterprises can effectively make use of the opportunities brought by the Belt and Road construction,

accelerating their expansion in overseas markets. The Japanese economy will also form a new growth point, and inject new vitality into Abenomics. Conversely, if Japan resists the Belt and Road initiative, it is likely to be marginalized in the future development trend of the region. Based on these, Japan has taken steps to improve relations with China.viii

### **Future Prospects and Opportunities for Sino-Japan Cooperation**

With the resignation of Abe and the coming into power of Yoshihide Suga, the Suga government, regarded as the best successor of Abe's line, is likely to continue many strategies of Abe's government, the new Japanese government will and continue to maintain China's economic and trade relations without breaking through the Chinese some of the bottom lines. On September 25, 2020, Japanese Prime Minister Yoshihide Suga has a phone call with President Xi, expressing two important attitudes. Yoshihide Suga expressed, the Japanese side attaches great importance to China and regards Japan-China relationship as one of the most important bilateral relationships. The two countries have supported each other in combating the raging pandemic. A stable Japan-China relationship is not only in the interests of the two peoples, but also indispensable to world peace and prosperity. I hope to maintain close contact with President Xi Jinping, stay committed to strengthening bilateral economic and trade cooperation and deepening people-to-people exchanges, so as to lift Japan-China relations to a new level. The Japanese side stands ready to keep close communication with the Chinese side, ensure the signing of Regional Comprehensive Economic Partnership agreement within the year, accelerate the negotiations on China-Japan-Republic of Korea Free Trade Zone, and work together to safeguard the stability of industrial chains and supply chains in the region.ix

The signing of Regional Comprehensive Economic Partnership agreement mentioned is a highlight of the Belt and Road program. This attitude indicates that the Japanese side supports the deployment of the Asia-Pacific economic component of the Belt and Road, which is a corresponding external cycle. And "accelerate the negotiations on China-Japan-Republic of Korea Free Trade Zone, and work together to safeguard the stability of industrial chains and supply chains in the region." is the specific communication on bilateral economic issues between China and Japan, and reached a tacit understanding. This is how to interact with each other and stabilize the industrial chain. The above two friendly attitudes also further promote the development of China and Japan.

The Sino-Japan Cooperation under the Belt and Road has become relatively positive, but in the next few years, the internal and external factors affecting the existing attitude may still exist. Since the tensions grow between China and America, the geopolitical uncertainty and regional influence of maritime security in East Asia are inevitable problems on the boundary of Sino-Japanese cooperation. Due to the rise of trade protectionism and the slowdown of global trade and investment growth, the momentum of the economic relations between China and Japan has been

impacted to some extent. As a result, there is still a long way to go for future cooperation between China and Japan.

## Conclusion

The Sino-Japan Cooperation under the framework of the Belt and Road has a positive prospect, but meanwhile with clear boundaries. The huge domestic economic pressure in Japan and the changes in the global power pattern have reshaped the attitude of the Japanese government, shifting from negative to positive and cooperative. With the resignation of Abe and the coming into power of Yoshihide Suga, the Suga government, regarded as the best successor of Abe's line, is likely to continue many strategies of Abe's government. The new Japanese government will continue to maintain its economic and trade relations with China without breaking some of China's bottom lines. The cooperative attitude of Japan and China under the Belt and Road has become relatively positive, but internal and external factors that influence existing attitudes are likely to remain in place in the coming years. There is still a long way to go for Sino-Japanese Cooperation in the future.

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