

**Japan's New Model of Engagement With Belt and Road Initiative:
Economic Statecraft, Developmental Pragmatism and Institutional Shaping**

Mustafa TTER*

Abstract: This article aims to explain why Japan's approach towards China's Belt and Road Initiative (BRI) has been changed recently, and then explore how Japan could broadly and deeply choose to engage with the initiative in the future. By focusing on Japan's evolving geoeconomic strategy in East Asia, it argues that Japan's new model of engagement with China's BRI is shaped by its use of economic statecraft which involves two types of characterization: developmental pragmatism and institutional rule-shaping. While "Japan as a pragmatic participant" induces comprehensive cooperation with China for achieving greater mutual benefits, "Japan as a shaper" within the BRI attempts to push China's efforts of infrastructure development into setting high quality standards and implementing best practices. As a result, Japan is more likely to sustain its positive use of economic statecraft in engaging with China's BRI in the future. Japan's deeper engagement with the BRI, however, largely depends on the issues of intersection between economics and security. The possibility for developing a cooperation in the field of technological innovation represents a critical challenge, and also a new stage for moving into Japan's political engagement with the BRI.

Keywords: Japan, Economic Statecraft, Developmental Pragmatism, Free and Open Indo-Pacific, Belt and Road Initiative.

***Japonya'nın Kuřak ve Yol İnisyatifiine Yeni Eklemlenme Modeli:
Ekonomik Devletçilik, Kalkınmacı Pragmatizm ve Kurumsal Biçimlendirme***

Öz: Bu makale öncelikle Japonya'nın Çin'in Kuřak ve Yol İnisyatifi (KYİ)'ne yaklařımındaki deęiřimi açıklamayı ve ardından Japonya'nın gelecekte bu inisyatife ne düzeyde eklemlenebileceğini incelemeyi amaçlamaktadır. Japonya'nın Doęu Asya'da evrilen yeni jeoekonomik stratejisine odaklanarak, KYİ'ye yeni eklemlenme modelinin kalkınmacı pragmatizm ve kurumsal kural-biçimlendirmeden oluřan ekonomik devletçilik tarafından şekillendięi iddia edilmektedir. 'Pragmatik katılımcı olarak Japonya' daha büyük müşterek faydalara ulařmak için Çin'le kapsayıcı iřbirlięini teřvik ederken; 'biçimlendirici olarak Japonya' Çin'in altyapı kalkınmasına yönelik çabalarını yüksek kalite standartlarının oluřturulması ve en iyi uygulamaların ortaya çıkarılması yönünde sevk etmeye çalıřmaktadır.

* Asst. Prof. Dr., İstanbul Medeniyet University Department of Political Science and Public Administration, İstanbul/Turkey. e-mail: mustafa.tuter@medeniyet.edu.tr
ORCID: 0000-0002-7074-4668

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Sonuç olarak Japonya'nın gelecekte Çin'in KYİ'sine eklemlenme yönünde pozitif ekonomik devletçilik yaklaşımını sürdürmesi kuvvetle muhtemeldir. Ne var ki; Japonya'nın KYİ ile daha derin bir şekilde eklemlenebilmesi ekonomi ve güvenlik arasında kesişen konuların nasıl halledileceğine bağlıdır. Teknolojik gelişim alanında işbirliğini geliştirme ihtimali kritik bir sorun olduğu gibi, Japonya'nın KYİ'ye politik eklemlenmesi yönünde yeni bir aşamayı da temsil edebilir.

Anahtar Kelimeler: *Japonya, Ekonomik Devletçilik, Kalkınmacı Pragmatizm, Serbest ve Açık Hint-Pasifik, Kuşak ve Yol İnisiyatifi.*

I. Introduction

There are two main explanations for Japan's changing approach towards China's BRI. By focusing on Japan's domestic politics, some observers argue that Japanese business community pushes the Abe administration for developing cooperation with China in order to secure their contracts and gain more benefits in the relevant infrastructure projects around the world (Sano, 2018). In addition to this domestic economic pressure, some recent developments in Japanese internal political life also support the idea of Japan's engagement with the BRI. With these significant political drivers, Abe is able to pursue a long-term strategic vision in his foreign policy. The second explanation, however, emphasizes the increasing need for hedging China's growing influence in the region especially with regard to maritime security domain. The basic idea is that Japan's engagement with the BRI could help Abe's Free and Open Indo-Pacific (FOIP) strategy to be realized. According to this line of thinking, the risk-hedging strategy of Japan through FOIP reframes Japan's approach to the BRI as "conditional engagement" (Ito, 2019: 126).

Even though these explanations point out the significant factors affecting Japan's changing approach towards the BRI, Japan's bold economic statecraft associated with ongoing geoeconomic change in East Asia has become more likely to be the dominant overarching trend in the region (Solis, 2020; Katada, 2020). China's growing influence forces Japan to seek a new type of coexistence while ensuring its economic and security interests in the region. Additionally, Trump administration's decision to withdraw from the Trans-Pacific Partnership (TPP) has led Japan to reconsider its strategic preferences and priorities. Given the combination of domestic transformation and the change in international environment, the question of Japan's adopt of hedging strategy towards China is still quite controversial. The main reason to oppose this view is that Japan still preserves its balancing behaviour militarily against China, and tends to ensure its claim to be a regional leader especially in the emerging new East Asian economic order (Liff, 2019; Koga, 2018).¹ There is no any evidence to assume that Japan is behaving in the same category that other ASEAN countries has adopted to hedge China in the last decades to come. But instead, Japan is relatively less dependent on China unlike to smaller states in Southeast Asia (Masuo, 2019: 447).

This article aims to explain why Japan's approach towards China's BRI has been changed, and then explore how Japan could broadly and deeply choose to engage into the initiative in the future. It argues that Japan's use of economic statecraft within the rising East Asian geoeconomics has two main aspects: developmental pragmatism and institutional rule-shaping. From this

perspective, Japan's new model of engagement with China's BRI consists two characterizations of "Japan as pragmatic participant" and "Japan as shaper". After the domestic transformation recently reinforced by the rearticulated vision of regional economic leadership, Japan has become more active to secure its economic interests. Japanese bold economic statecraft reflects an awareness of the fact that it needs to ensure the sustainable regional development under the new geopolitical changes driven by competing wider economic interests between the US and China.

I use deductive reasoning and quantitative method in this research. First, Japan's changing approach towards the BRI is explained by the use of economic statecraft that includes developmental and institutional dimensions. Japan's developmental pragmatism is measured by infrastructure finance and connectivity that indicates trade and investment initiatives such as development aids, foreign direct investments, partnership for quality infrastructure and FOIP. And making an assessment of Japan's institutional statecraft, TPP and CPTPP are taken into account as the main drivers of its efforts for rule-shaping. Second, in order to conduct an empirical investigation of the future trajectory of Japan's engagement with the BRI, the types and levels of engagement are examined by drawing conclusions for possible policy changes. Memorandum of Understandings (MoUs) signed between China and Japan are the key subject of analysis in explicating types and modes of engagement. While types of Japan's engagement with the BRI reflect basic features and motivational factors behind the use of economic statecraft, the level of engagement refers to the extent in which Japan could find a way to deepen its involvement. The main challenges and opportunities of economic and political engagement are identified with certain issues in different fields including trade, finance and technology. Since economic and security policies are closely interlinked, the possibility of Japan's broader engagement with the BRI is increasingly dependent on its ability to maintain positive use of economic statecraft.

II. Theoretical Framework

A. Positive Economic Statecraft and Tactical Linkage

When economic statecraft is defined by the means through which influence the behaviour of another state, the use of economic statecraft can be divided into two different categories. Negative economic statecraft entails the use of economic sanctions, coercion or punishment which is known as "sticks". Positive economic statecraft, however, involves the extension of economic incentives, rewards, payments and other means of persuasion which are known as "carrots" (Baldwin, 1971).

Positive economic statecraft, as defined by Mastanduno, means "the provision or promise of economic benefits to induce changes in the behaviour of a target state". He distinguishes two types of positive economic statecraft with regard to the objectives they intend to pursue: "tactical linkage" and "structural linkage". The first one envisages an immediate outcome through "the promise of a well-specified economic concession in an effort to alter specific foreign or domestic policies of the target government". On the other hand, structural linkage involves a long-term engagement providing an effort "to use a steady stream of economic benefits to reconfigure the balance of political interests

within a target country” (Mastanduno, 1999: 303-304). Structural linkage tends to be unconditionally settled, which means the benefits are not promoted in flow according to changes in target behaviour. The inducing state expects instead that sustained economic engagement will gradually transform domestic political interests in target state and produce desirable changes in target behaviour. The expected utility of positive economic inducements reflects more future promises than threats. Threats tend to inspire resistance and resentment in the target government while the promise of rewards and persuasion generates a typical response of hope and expectation.

Especially after the Cold War, these two versions of positive economic statecraft figured prominently in the great power game. They consist of economic inducement and art of economic persuasion strategies of states which favour strategic interdependence. Economic relations in practice are not independent from high politics. In order to understand great power politics, positive economic statecraft and the links between economics and security has to be taken into account. With the revival of interest in the interplay between economics and security recently, the causal relationship between interdependence and cooperation or conflict has become once again a major focus. The recent literature has provided some additional contributions, which move beyond the liberal-realist debate and concentrates on the intervening variables for explaining the conditions under which economic interdependence leads to war or peace. To illustrate the causal links between interdependence and security is not an easy task. As different explanations put an emphasis on different intervening variables, their most common finding confirms that economic interaction is crucial for analyzing great power security relationships (Papayounou, 1996; Copeland, 1996; Liberman, 2000). In this context, this paper proposes to take regional development strategies as an intervening variable for explaining the links between interdependence and security. The effectiveness of using positive economic statecraft relies on states’ development strategies as an integral part of their security choices.

Using economic statecraft as an instrument can be regarded as a result of increasing interdependence in East Asia. However, interdependence does not always necessarily lead to cooperation. By contrast, the use of economic statecraft presents a potential for weaponization of economic interdependence. More recently, the concept of economic statecraft has been increasingly understood as “war by other means”. Not only states become much more sensitive about their economic security, but also commercial actors take advantage of incentives to serve in support of the security goals of the states (Blackwill & Harris, 2016; Norris, 2016). When a major power aims to translate its economic power into political influence, economic statecraft offers efficient and nonviolent means without creating major disruptions in economic exchanges that are the sources of sustainable national growth and development, and political stability. In East Asia, economic statecraft has becoming an essential driving force for reshaping the rapidly changing regional economic order.

B. Statecraft and Development

On the spectrum of Japan’s choices regarding its economic statecraft, Japan’s new model of engagement with the BRI fits into the category of

positive economic statecraft with tactical linkage. Japan's domestic transformation provides to employ positive means of economic statecraft rather than negative ones. Strategic interdependence that is governed by state-led liberalism creates a pragmatic approach to engage with other states.ⁱⁱ While economic pragmatism simply aims to maximize gains from the two powers, the US and China for instance, pragmatic use of economic statecraft seeks a calculation over the linkage between economic and security objectives. Pragmatism, here, refers to the idea that the primacy of Japan's concern for national security is balanced by concern for regional development, what can be called as 'developmental pragmatism'. This approach is consistent with Asian conservative way of diplomatic tradition, which prioritize regime security, territorial sovereignty, noninterference and economic development, as well as new realities shaped by the rise of China (Acharya, 2004: 159; Mahbubani, 2010: 37-42). The principles of common regional development, mutual benefit and security cooperation are rooted in practical results and limited values rather than fixed ideologies and models (Wei, 2018: 20-21). As former Japanese Prime Minister Yukio Hatoyama once declared, Asian diplomacy is based on the philosophy of "yu-ai" (fraternity), which means not only the independence of people but also their coexistence (Hatoyama, 2009). In this sense, Japan's economic diplomacy is predominantly moving towards payment and persuasion that comprises a new form of developmental pragmatism in regional infrastructure connectivity and finance. As a result, pragmatism and flexibility have led Japan to pursue the path of 'carrots' for engaging with China's BRI.

C. Statecraft and Institutions

Institutional statecraft refers to the use of economic statecraft by states at contested multilateral settings for shaping the rules and standards of international order. In seeking to illuminate Japan's emerging institutional statecraft, Japan's attempt of regional economic leadership in keeping TPP alive is examined, in this article, as the significant tool of its economic statecraft and the logic of its institutional rule-shaping by strategic choice. Undertaking institutional leadership offers a new instrument for Japan's economic statecraft to increase bilateral and multilateral influence within a region or across the wider international system. In addition to its substantial authority and status in Asian Development Bank (ADB), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) helps to enhance Japan's geoeconomic advantages in the region. Japan aims to shape the rules, practices and norms of regional trade and investment as well as multilateral development financing through existing institutions.

III. Japan's Evolving Geoeconomic Strategy in East Asia

In rising geoeconomics of East Asia, competitive and cooperative patterns of interactions have recently taken place not only in bilateral exchanges but also in efforts for setting new rules and standards in regional institutions. Although the economic dimension of great power competition between the US and China was also relevant in Obama's second term, especially when he adopted the policy of TPP as an economic tool of US rebalancing strategy, the US President Trump has equated economic security with national security by embarking on trade war with China and shifted the ongoing strategic

competition into multidimensional level (Navarro, 2018). Economic security has gained a new momentum to overshadow traditional military security concerns and is more likely to redefine priorities of states in the coming years.

Trump's new approach on foreign policy has generally undermined the rules of international politics and particularly the regional economic order in East Asia. With Trump's decision to withdraw from TPP, the US walked away from such an important initiative and left Japan alone to push the TPP forward. Moreover, the Trump administration made another critical decision by prioritizing bilateral economic engagement through renegotiating the existing free trade agreements (FTAs) such as the South Korea-US FTA (KORUS 2.0) and the North American Free Trade Agreement (NAFTA) (Lester, Manak & Kim, 2019). What is distinctive in the renewed NAFTA agreement Article 32.10 was introduced to prevent treaty members from engaging in FTA negotiations with 'non-market economies', which likely targets China.

Japan's standpoint in this context can be described by strategic pragmatism that aims to regulate the ongoing regional competition and also create the suitable conditions and mechanisms for balancing conflicting geoeconomic interests among major powers in East Asia. Even if sustaining regional connectivity and interdependence as the foundation for regional development is mutually recognized by both China and Japan, use of economic statecraft serves as an efficient instrument for regional competition that allows one major power to take an advantage over another with nonviolent means. Besides, Japan's economic statecraft is regarded as compatible with the ongoing strategic competition between the US and China. Japan basically attempts to counter two major challenges: the growing Chinese influence and the changing US role in the region under Trump administration.

A. Japan's Bold Economic Statecraft

Japan's economic statecraft was historically identified with mercantilism and neomercantilism (Murashkin, 2018). However, since the mid-1990s, Japan's regional economic diplomacy has been transformed. Japan adopted a new state-led liberalism emphasizing regional institution building and rule setting (Katada, 2020). The main drivers behind such an important change were the inconsistencies of Japan's trading practices with the global economy and the resistance to the US demands to reform its domestic economy since 1980s (Schoppa, 1997). After all, Japan has recently found itself in a new situation by undertaking regional leadership role for defending multilateral trading system which affected by the new realities of great power competition and the rise of economic protectionism (Funabashi & Ikenberry, 2020; Solisb, 2020).

In the last two decades, Japan recognized that some domestic constraints, such as protectionist interest groups, bureaucratic sectionalism, budgetary constraints, and the weakness of executive leadership, were the main obstacles for playing more active role in international economic governance (Solis & Urata, 2007). In this context, Japan's leading role in CPTPP can be attributed to the strengthening of central rule of decision-making processes under the Abe administration. The functional role of *Kantei*, comprising the Prime Minister's Office and Cabinet Secretariat, was consolidated for increasing state capacity. And the influence of agricultural lobby was weakened

in order to reinforce control over trade policy and sustain the negotiations of CPTPP (Terada, 2019). Abe's Ministry of Economy, Trade and Industry (METI)-oriented approach was represented by Takaya Imai, who was the Executive Secretary to the Prime Minister. Imai is also regarded as the key actor in making Abe's China policy especially with regard to Japan's changing approach towards the BRI. Furthermore, Abe's Kantei-led politics was symbolized by the establishment of TPP headquarters as a unified and monolithic administrative organ for the first time in the history of Japanese trade policy formation.

B. Japan's Developmental Pragmatism through Infrastructure Finance and Connectivity: ODA, PQI and FOIP

Japan's official finance commitments, including Official Development Aid (ODA) and Other Official Flows (OOF) gross disbursements, amounted to \$305 billion dollars between the years of 2000 and 2014. During the same period, China's official finance amounted to \$354 billion dollars (AidData, 2017). According to the OECD data, Japan also shares %42.7 of the highest cumulative total of ODA commitments in economic infrastructure projects from 1967 to 2017 compared to other industrialized countries such as Australia, France, Germany, and the US (OECD, 2019). It suggests that Japan is the only country among Development Assistance Committee (DAC) nations which competes with China seriously in terms of the mobilization of state resources to infrastructure finance abroad.

In addition to government loans, private investment presents another important source for infrastructure finance. Both Japan and China have become global creditor nations. Regarding outward foreign direct investment (FDI) activities, Japan still holds the leading position even after the 2008 financial crisis while China has rapidly come closer. It is also significant to note that both countries increased the momentum of their investment activities abroad since the crisis. By looking at these data, Japan and China together have become the two key drivers of East Asian regional development through infrastructure finance and connectivity. The net outcome of this regionalization process is that the share of intra-regional trade has increased to 60%, and of intra-regional investment to 59% (McKensy, 2019).

In 2015, Prime Minister Abe announced the Partnership for Quality Infrastructure (PQI) in Asia by promising to provide \$110 billion dollars. One year later, it was expanded to provide \$200 billion dollars to be allocated in five years. Yet, Japan preferred to take inductive rather than deductive approach for defining the principles of PQI (Aizawa, 2020: 6-7). It reflects Japan's tendency on promoting pragmatism and preserving flexibility in implementing the PQI projects. Japan has recognized that its competitive advantages in infrastructure projects bids are weakening due to the need for making changes in the operations of development finance. The most important wake up call for Japan was Indonesia's decision in 2015 to award China the Jakarta-Bandung high speed railway project. This loss of project bid encouraged Japan to readjust its lending practices to the new realities in infrastructure competition. The significant decision made by Abe government to show a tolerance to financial risk in the official credit disbursing agency (Yoshimatsu, 2018: 723).

As a tool of Abe's new policy of revitalizing the national economy, expanding overseas infrastructure investment without the constraints of DAC norms has become an important component of Japan's PQI. It means that Japan has adopted a similar investment policy with China in overseas infrastructure by implementing non-concessional financing (Jiang, 2019: 779). Imitating each other's behaviour in the areas of infrastructure can be explained by "domino effect" argument, as described for FTAs before (Ravenhill, 2010: 157). In this sense, by focusing on positive results Japan's infrastructure activities tend to consider economic benefits and competitive advantages more on the basis of common regional development and mutual benefit and less fixed ideology and certain values.

Japan's FOIP as a connectivity initiative for regional trade development is conducted by state-led approach with certain principles such as rule of law, freedom of navigation and overflight, peaceful settlement of disputes and promotion of free trade (Ministry of Foreign Affairs of Japan, 2019). While its signal of rules-based liberal spirit is recognized immediately, Japan's FOIP offers a pragmatic approach to regional development especially with an emphasis on partnership for quality infrastructure and trade connectivity. As it is seen in this official document, Japan has increased its commitment to expand ASEAN's success to other regions such as the Middle East and Africa based on the principle of international cooperation.

With FOIP's different connectivity agenda envisioning the Indo-Pacific as "the confluence of the two seas" and the connection of two continents of Asia and Africa, Japan attempts to become more active player in the areas of the BRI. Besides to geographically extended scope, it also implies that regional cooperative efforts can be possibly made through new security arrangements and institutional mechanisms, such as Quad or the ASEAN-led institutions, by including Australia, New Zealand, India and the US. Security aspect of the FOIP covers capacity building maritime law enforcement and humanitarian assistance by referring various challenges such as piracy, terrorism, proliferation of weapons of mass destruction (WMD) and attempts to change the status quo.

It is clear that Japan attempts to enhance its relations with Southeast Asia by enlarging official aid and private investments with more generous terms. More importantly, Japan engages more deeply with ASEAN, as the developments remind the Fukuda Doctrine in the late-1970s (Wallace, 2019). The Fukuda Doctrine demonstrates Japan's support of ASEAN's role in building peace and prosperity in the region. And there are some new emerging political possibilities, especially for capacity building of Southeast Asian states and creating a rules-based community, to transcend the Fukuda Doctrine that both Japan and ASEAN can collectively nurture (Koga, 2017).

In recent years, the intensity of competition between Japan and China over infrastructure development in Southeast Asia can be observed from high speed rail construction projects and port connectivity activities. Japan's role as an 'outside option' with respect to the BRI provides strategic opportunities for ASEAN countries in infrastructure development and helps them to diversify foreign policy preferences (Tüter, 2019a). In some other sectors, however, such as building industrial parks or electric power infrastructure in third countries, they are more likely to cooperate for developing joint projects especially in

Southeast Asia. Before the BRI was launched, Japan and China previously produced complementary outcomes in the field of infrastructure development and trade connectivity. ASEAN has adopted ASEAN Connectivity plan since 2009. Under this plan, Japan and China made a collaboration by providing foreign aid to the different transportation corridors in the horizontal line of the East-West Economic Corridor and the vertical line of transportation infrastructure of North-South Economic Corridor (Yoshimatsu & Trinidad, 2010: 215).

C. Japan's Rule-Shaping through Institutions: TPP and CPTPP

While Japan mostly preferred to rely on formal treaties such as preferential trade agreements and bilateral investment treaties, Japan's liberal pragmatism has recently been more attentive to support multilateral trade practices. The Japanese government ratified the TPP in 2016 and led efforts among the remaining eleven countries to negotiate the TPP-11 after the US withdrawal from the agreement. In the negotiation process of the TPP-11, different countries had different concerns about joining an agreement, which made harder to complete without the US presence. For instance, some smaller states such as Vietnam and Malaysia were concerned about their trade balance (Banga, 2019). Nevertheless, after a difficult but relatively short process, the eleven remaining TPP members concluded negotiation of the CPTPP in January 2018. Additionally, some other countries, such as Thailand, Colombia, Indonesia, South Korea and the United Kingdom have recently expressed interest in joining the group (Tobita & Koga, 2018).

Although METI began to promote a four-pillar strategy consisting of CPTPP, RCEP, Japan EU EPA and Japan-US Economic Dialogue in the mid-2017, Japan anticipates that the high-standard CPTPP becomes a model for other multilateral trade agreements and strengthens Japan's bargaining leverage in RCEP negotiations. While Japan has begun to consider to diversify its foreign economic policy options through the possible conclusion of the RCEP, China also has motivated to participate CPTPP because of the recent official failure in RCEP negotiations and the concern of being economically isolated by the US (Terada, 2019: 1067). Within this context, the CPTPP can operate in favour of Japan in the RCEP negotiations, given the fact that seven states possibly facilitate to forge a coalition for promoting rule-making negotiations with their dual memberships in both trading frameworks.ⁱⁱⁱ

In Japanese view, CPTPP also serves to protect the region from a deeper power competition by enhancing a necessary stable environment for open trade. In this way, Japan expects the expansion of CPTPP membership in a way that its reputation as a provider of regional public goods will be increased. Furthermore, the Japanese government intends to use the CPTPP acting as a safe harbor for reducing negative impacts of the Trump administration's increased protectionism and its push for bilateral FTAs (Mulgan, 2018). In 2019, the US and Japan completed "stage-one" deals which cover some market access in agriculture and industrial goods, and rules on digital trade. After the UK's announcement to join the CPTPP, the Abe administration's desire to use the CPTPP as a bargaining leverage vis-a-vis the Trump administration has been strengthened.

IV. Japan's New Model of Engagement with the BRI: Pragmatic Participant and Shaper

A. Japan's Changing Approach to the BRI

With the creation of the Asian Infrastructure Investment Bank (AIIB) in 2016, as a significant turning point, the BRI's distinctive strategic value was redefined by organized interests and priorities for making new realignments alongside international cooperation (Tüter, 2019b). And subsequently, the first Belt and Road Forum for International Cooperation, held in May 2017 in Beijing, drew a greater attention with more than 29 high level officials and over 1500 participants including the heads of the United Nations, International Monetary Fund and World Bank, and the delegates from the US and Japan.

By looking at internal debate on the BRI in Japan, one can see that the BRI-related discussions started with the question of joining to the AIIB. The first issue was the matter of participation to the AIIB, because March 31, 2015 was given as the deadline for Japan to apply as a founding member of the bank. Later on, the discussions became diversified since the beginning of 2017. It would not be wrong to suggest that China's BRI was largely ignored until 2017 within Japan, only limited to the discussions of the AIIB, but then the broader debate emerged by including the multiple issues of the BRI (Ito, 2019: 121-122).

Japan's changing approach towards the BRI was officially marked by the attendance of Liberal Democratic Party Secretary-General Toshihiro Nikai to the Belt and Road Forum for International Cooperation in May 2017. It is understood that Japan's shifting policy on the BRI was made through rather unusual policy-making process, which indicates some sort of differering views among key foreign policy elites in Japan. Toshihiro Nikai and Takaya Imai are the two prominent figures supporting Japan's engagement with the BRI. Despite the strong oppositional views of the Director-General of the Secretariat for the National Security Council, Shotaro Yachi and some other officials in Foreign Ministry, the Nikai-Imai faction proves that Japan attempts to balance security interests with the requirement of sustaining regional development by improving economic ties with China.

B. Types of Japan's Engagement with the BRI

The Japanese government initially proposed three different areas of cooperation between Japan and China in third countries: energy conservation and environment protection, the upgrading industrialization through building of industrial parks and power generation infrastructure, and the logistics sector. Following this proposal, both governments made an agreement on business cooperation in third countries' markets by signing 52 Memorandum of Understandings (MoU) during the Prime Minister Abe's visit to Beijing in October 2018. These MoUs are significant for indicating the fields for future cooperation, such as energy, transportation, the new open economy, and health care (METI, 2018; Ministry of Commerce People's Republic of China, 2018).

In business to business relations, the Japanese companies and megabanks have already been involved in third country projects with Chinese partners. For example, Japanese company Hitachi made a business cooperation

with Chinese firms through an intermediary trading company of Marubeni for running a thermal power generation project in Kazakhstan. Similarly, some Japanese companies made collaborations with the BRI-related projects in the sector of industrial parks, most notably Indonesian industrial park built with Chinese government aid. In this regard, Japanese companies were making cooperation with Chinese companies to a certain extent even before the Japanese government officially announced their cooperation in the BRI.

52 Japan-China BRI joint projects have potential to create structural linkage between Japan and China in terms of positive economic statecraft. Nevertheless, the sectors they collaborate have to be diversified according to the demands in market effectiveness. For example, only one project out of 52 projects is directly related to IT sector. This cooperation was occurred between Panasonic, a Japanese electronics maker, and Baidu, a Chinese large IT company, to jointly develop interior design for next generation automobile (Muramatsu, 2018).

Japan as a shaper within the BRI aims to push China's efforts of infrastructure development into setting high quality standards and implementing best practices. At this point, the multilateralization of the BRI has been taken by Japan very seriously. After the creation of the AIIB, the institutionalization of the initiative became in operation, to a certain extent, as its members signed Articles of Agreement. Nevertheless, the BRI still largely remains as a bilateral initiative in which individual projects are implemented through bilateral diplomacy under the mechanism of Memorandum of Understanding (MoU) between China and host country.

Japan also attempts to shape the rules and standards in digital infrastructure. The digital infrastructure dimension has become more apparent than physical infrastructure of the BRI in the last years. The BRI's physical component focuses on many visible infrastructure development projects which aim to build economic corridors, like China-Pakistan Economic Corridor, and transportation links. On the other hand, on the digital infrastructure sphere China attempts to designate technology standards through equipment export and network building in satellite data and e-commerce. Relatedly, the Japanese government attempted to take a lead for creating a consensus on data governance by introducing Data Free Flow with Trust (DFFT) initiative. This concept aims to reconcile different policy approaches taken by the US, the EU and other countries on cross-border data flow by emphasizing a rule-based international standard. In the end, the Osaka Declaration on Digital Economy was supported by 24 countries, including the US, China and Russia. On the other hand, India refused to sign the declaration by suggesting that data is a new form of wealth (Greenleaf, 2019). As a practical consequence of Japan as a shaper in its engagement with the BRI, the concept of 'quality infrastructure' was adopted by China during the second Belt and Road Forum for International Cooperation in May 2019. It demonstrates that China is mindful of risk aversion capacity in implementing the BRI.

C. Japan's Level of Engagement with the BRI

Regarding the centrality of Japan's economic statecraft in its relations with China, infrastructure finance emerges as the initial phase for improving the level of engagement with the BRI. Nevertheless, it is not easy to settle

cooperative mechanism even in the area of infrastructure finance mainly because the two sides keep their claims for regional leadership. Even though the ADB and AIIB have jointly financed some projects, Tokyo still rejects the idea of joining the Chinese-led institution. On the other hand, what China expects to see from Japan is a political endorsement of the BRI (Iida, 2018). Since neither side is yet to be ready for comprehensive political engagement, which requires reciprocal political support for their competing infrastructure connectivity initiatives, they have only achieved a more modest way of business cooperation in third-country markets.

The concrete example for improving cooperation in infrastructure finance was resulted from the MOU between the Japan Bank for International Cooperation (JBIC) and the China Development Bank (CDB). It is worth noting that Japan has made an explicit reference to the global standards in this document too. JBIC and CDB agreed on to make joint projects of high speed rail connecting three airports and a smart industrial park in Thailand's Eastern Economic Corridor (Shigeta, 2018).

Japan's developmental pragmatism through infrastructure finance and connectivity has not yet turned into political engagement with China's BRI. The ability of both parties to develop joint infrastructure projects to implement takes a certain time when they negotiate their competing views on the future of regional development. More broadly, the transitional period of Japan-China relationship towards a new structure not only depends on the progress of economic cooperation but also requires the management of maritime disputes between the two countries (Eto, 2018). And the BRI offers a great potential to reshape China-Japan competition to follow more cooperative patterns of interaction.

The most critical field of Japan's economic statecraft that affects the process of political engagement with the BRI is likely to be the harder competition over technological innovation. This becomes especially complicated when the BRI is regarded as not only physical infrastructure but also digital silk road connectivity. As China desires to be a world technological leader and obtains greater self-reliance in the areas of artificial intelligence and robotics, Japan becomes more critical to deepen economic interdependence with China. Although technological interdependence between China and Japan has contributed to the regional growth and the deepening of global supply chains until now, the recent developments demonstrate that there is an increasing risk on both sides to use economic statecraft in a negative way. If growth in China's economy is shifting to a new stage where high technology matters than ever before, partnering with Japan takes on new urgency in pursuing China-Japan reconciliation.

Moreover, the great power technological competition has led Japan to take some defensive measures to prevent technology flows that are potentially detrimental to national security. The Japanese government has established an economic division in the National Security Secretariat which provides greater integration of economic policies with national security. Such an institutional arrangement reflects the concerns of Japanese officials about the trends of international critical technology control by other Western states, such as the US, Germany and France. In order to implement economic policies more closely integrated with security, a holistic approach was adopted by Japan for removing

vulnerabilities in critical industrial sectors. This holistic approach of economic policies to be pursued by Japan was laid out in the Integrated Innovation Strategy 2019 (METI, 2019).

Thus, economic security is increasingly becoming a new battlefield of great power competition. Japan's use of economic statecraft is generally described by positive terms, but in the field of technological competition negative economic statecraft is likely to grow. It is important to see how Japan will respond to the need for reconciling national interests with global governance. Reconciliation can be either in favour of economic security or can be at some sacrifice of economic security. Japan's regional economic diplomacy tends to facilitate pragmatic approach that makes some sacrifice of economic security for international cooperation through reciprocity and negotiation. But it will not be perfect and permanent. The terms of reconciliation will depend on redistributive benefits. The gains of each negotiation will be absorbed until some new negotiation is reconditioned. The tradeoffs between national security interests and economic benefits have already been made. Japan has considered Chinese telecom firms (Huawei and ZTE) as a cybersecurity risk and banned them from 5G government contracts.

Unless Japan and China are able to reach a political compromise by negotiating their conflicting interests, the existing pragmatic cooperation on the basis of regional development will not be easily sustainable in the future. Both FOIP and BRI have their own capacity to develop, but also have a potential to create a synergy if they are combined. This possibility also reinforces the idea of establishing a new type of security cooperation between the two powers.

For Japan's broader engagement with the BRI, one possible way is to think about combining Japan's FOIP with China's BRI in enhancing regional integration. Due to the complementarity of both initiatives, the overlapping functional areas such as energy conservation, advancement of industry, and the distribution of goods can be efficiently improved. While the BRI and FOIP are not mutually exclusive for regional development, they also represent the underlying geopolitical interests and concerns for reordering East Asia. From a historical perspective, their initiatives reflect the efforts to frame new silk roads in different understandings. However, it can be argued that the similarities between Japan's old connectivity initiatives, for instance CAREC (Central Asian Regional Economic Cooperation), and China's BRI are also remarkable (Murashkin, 2018: 464).

The further increased cooperation that is not confined only to regional development but even involves security cooperation between China and Japan in East Asia is critically important for the BRI's future development and its ultimate success. China's BRI faces some significant challenges, especially in the Maritime Silk Road. The South China Sea disputes, for example, present a maritime security concern for Japan. Japan is largely dependent on the Sea Lines of Communications (SLOCs) for energy security by approximately 80% of its oil imports (Koga, 2018b: 18). Some BRI-related projects, like port projects in Sri Lanka and Gwadar, have led other regional actors to be suspicious about Beijing's intentions and its regional security ambitions.

Another important obstacle to the BRI is the unstable security environment along some parts of the BRI route. Afghanistan is perhaps the primary concern in terms of increasing potential challenges. Additionally,

fighting against terrorism, seperatism and extremism remains an essential problem for the BRI's implementation. Furthermore, the situation surrounding Iran is likely to affect the future of the BRI. Tehran has become a critical transport and logistics hub for the initiative, as China marching towards the West. Besides, it also represents a significant strategic value for Japan and India, mainly because of Iran's oil and their respective interests in the development of the Chabahar port. However, the US' political relations with Iran are getting worse in addition to Iran's own domestic instabilities.

When it comes to the development of Japan's FOIP in the future, there are also uncertainties on the implementation stage. FOIP has appeared as a practical project since 2017, but there is no any concrete document that related countries confirm. Even though the US Secretary of State Mike Pompeo announced \$113.5 million for new regional initiatives with an aim of supporting funds in infrastructure, digital economy and energy in July 2018, to what extent the US will engage to the FOIP remains as an important question. One possibility is to support Japan's FOIP initiative with the Quadrilateral security framework revived again in November 2017, including the US, Australia, Japan and India. However, even the states of Quad have different strategic views on the geography of the Indo-Pacific. For instance, the US and Australia considers the Indo-Pacific concept as extending to Pakistan, while Japan and India shares a far more extending geographical scope including East Africa and even beyond. While the Quad states are very mindful of the strategic importance of commercial shipping as the dominant form of trade, they share different views on collaborating in areas like port connectivity and sensitive infrastructure projects.

In considering how those states view the Indo-Pacific notion through the lens of values versus interests, they tend to conceive Japan as the weakest link in the emerging balancing coalition. In this regard, it is likely for Japan to get closer to the BRI, if the Quad framework cannot reach out to the implementation stage of infrastructure development projects. It will, therefore, be pragmatic for Japan to continue strengthening its bilateral strategic partnerships with Australia and India rather than relying on the Quad framework. Moreover, Japan is attentive to place a distance from the perception of the FOIP as a US-led initiative. For this reason, Japan's FOIP has been increasingly associated with ASEAN, as the central institutional framework, rather than the Quad. Improving the Japan-ASEAN strategic relationship with respect to the 2016 Vientiane Vision has become an essential priority for the Abe administration.

It is likely to be feasible that the Japan-India cooperation could help to realize Japan's FOIP objectives in the Western Indian Ocean. Especially their collaboration on the Chabahar port project provides a new connectivity with the Central Asian countries as a strategic option with respect to the China-Pakistan economic corridor. Nevertheless, compared to China's BRI, it is more unlikely for Japan and India to prepare the same size infrastructure projects across the region. They also facilitate their development initiatives in West Africa, such as Japan-India Asia Africa Growth Corridor (AAGC), in an attempt to provide alternative infrastructure projects to the BRI.

V. Conclusion

Japan is likely to be prepared entering a new ‘great power game’ shaped by changing realities in international environment. The domestic transformation of Japan’s economic statecraft from neo-mercantilism to state-led liberal pragmatism provides itself an ability to develop a new geoeconomic strategy based on developmental pragmatism and institutional rule-shaping. It also allows Japan to implement new economic policies especially in PQI and trade connectivity. Whereas Japan has tended to make unconditional concessions in bilateral infrastructure investment, it has become more attentive to support multilateral trade practices through the rules-based CPTPP framework. Japan actively engages with China and other ASEAN countries in Southeast Asia by increasing its trade and investment activities and providing new infrastructure initiatives for regional development. Japan’s use of economic statecraft seeks a new type of strategic diplomacy for regional development and security cooperation in East Asia. As a result, Japan has gained a new momentum to take an advantage of its geoeconomic means for increasing regional influence.

Japan’s new model of engagement with the BRI is a direct reflection of its evolving geoeconomic strategy in East Asia, which is characterized by “Japan as pragmatic participant” and “Japan as shaper”. While Japan as a pragmatic participant induces comprehensive cooperation with China for achieving greater mutual benefits from the BRI-related projects, Japan as a shaper within the BRI attempts to push China’s efforts of infrastructure development into setting high quality standards and implementing best practices. The latter raises a question of whether China, to what extent, is ready for accepting Japan’s role as a shaper within the BRI. Japan is more likely to sustain its positive use of economic statecraft in engaging with China’s BRI in the future. At this point, Japan’s deeper engagement with the BRI, however, largely depends on the issues of intersection between economics and security. The possibility for making a cooperation in the field of technological innovation represents a critical challenge due to the concerns for its economic security, but also provides a possibility of a new stage for moving from Japan’s economic engagement into political engagement with the BRI.

Japan’s recent changing approach towards the BRI reflects more its willingness to negotiate a new regional bargain with China than its demonstration of hedging behaviour. It is not reasonable to suggest that Japan has become adopting a middle power strategy by dismissing its longstanding claim for regional leadership in East Asia. On the contrary, in both economic and security realms, Japan is seeking to strengthen this claim by increasing its competitive advantages in the region and beyond. In this regard, Japan’s FOIP and China’s BRI are the two competing regional connectivity initiatives with underlying security interests. However, they also share significant similarities that allow to combine them into a common understanding of regional development.

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ⁱ As Kei Koga argues, the remarkable change in Japan's balancing behaviour towards China can be observed through Japan's strategic calculations in terms of the differentiation between internal and external balancing especially since 2010.

ⁱⁱ This argument is based on the idea that liberal pragmatism takes reciprocity and negotiation as the best way of promoting calculable benefits of economic exchanges. In liberal pragmatist thinking, the basic assumption is that interdependence and international free trade increase uncertainty and risk. The first major objective of state is to achieve economic security while applying liberal principles pragmatically. Pragmatism is understood as the inevitable policy consequence of a concern for national economic security, but reflects a very different approach than protectionism. In practice, the battle to preserve the open trading system is assisted by the pragmatism of governments (Dell, 1987).

ⁱⁱⁱ After this article written, the RCEP negotiations have been completed successfully. So, this new recent development has confirmed my earlier consideration on CPTPP-RCEP linkage.