

Analysis of Japan's Dual Influence on Southeast Asian Infrastructure Diplomacy

Dehua Wei, Zhanfeng Tang

Guangxi University for Nationalities School of Politics and Public Administration Nanning City,
Guangxi Zhuang Autonomous Region 530000, China

ABSTRACT

This paper examines the dual influence of Japan and China in infrastructure diplomacy in Southeast Asia since 2015. The competition between the two countries in infrastructure diplomacy in Southeast Asia is mainly manifested in investment and financing modes and high-speed rail projects, aiming at promoting their domestic economies and expanding geopolitical influence. This competition has brought economic dividends to Southeast Asian countries, but it has also increased the pressure on these countries to "choose sides station", which has led to an increase in internal tensions within the region. Although Sino- Japanese confrontation has weakened bilateral relations, there is the possibility of cooperation in promoting connectivity in Southeast Asia, and the two sides share common interests in this regard. Competition between China and Japan in high-speed rail and other projects provides more choices for Southeast Asian countries, which complicates the development of infrastructure and affecting regional stability.

KEYWORDS

Infrastructure diplomacy; Southeast Asia; China-Japan competition; High-speed rail projects; Investment and financing models

1. INTRODUCTION

Since 2015, China and Japan have developed a competitive relationship in their respective infrastructure diplomacy towards Southeast Asia. China has proposed the Belt and Road Initiative and led the establishment of the Asian Infrastructure Investment Bank (AIIB), while Japan has counter posed with the Partnership Program of Quality Infrastructure (PQI). The rivalry between China and Japan in infrastructure diplomacy in Southeast Asia is driven by their respective economic and geopolitical interests in the region. Southeast Asia has long been an important economic partner for Japan, and is a "must-not-losest - not - lose" market. Japan has been promoting domestic economic development through infrastructure diplomacy and expanding its influence in the region. China's infrastructure diplomacy through the Belt and Road Initiative also serves the goals of domestic economic development and expanding its geopolitical influence. China and Japan's infrastructure diplomacy in Southeast Asia is mainly reflected in two aspects: first, the competition in infrastructure investment and financing models. China has demonstrated its strong financing capacity by relying mainly on state-owned banks, the Asian Investment Bank and the Silk Road Fund to finance infrastructure projects.

2. COMPETITION BETWEEN CHINA AND JAPAN

2.1. Investment and Financing Competition

Since the launch of the Belt and Road Initiative in 2013, China has financed \$200 billion in infrastructure projects through state-owned banks, and \$20 billion through the ADB and Silk Road Fund.

China's investment and financing model is characterized by strong financing capacity, flexibility and high efficiency. China's investment and financing model is characterized by strong financing capacity, flexibility and efficiency. Japan, on the other hand, separated developmental official assistance from commercial export credits and actively attracted private capital to participate in investing in overseas infrastructure. Its overseas infrastructure investment and financing model is divided into two parts: first, it invests in infrastructure through the Public-Private Partnership (PPP) model, guiding the active participation of local governments or private capital, with financial institutions such as the ADB providing loan support for the projects; And second, it reforms its own financing institutions, optimizing the role of institutions such as the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC) in project vetting and approval.

The role of procedures, risk-taking, etc. The Japanese investment and financing model suffers from the inefficiency of the ODA process and the uncertainty of private capital participation.

2.2. Competition for High-speed Rail Projects

Directly compete in the field of high-speed rail. Due to the relatively low investment, high-speed railway can drive the economic development of countries along the route, so it is a key infrastructure project for Southeast Asian countries. However, the differences in the political and economic development level of each country have led to fierce competition between China and Japan in high-speed rail projects, which is reflected in the competition between China and Japan for Indonesian, Malaysian and Thai high-speed rail projects.

The first project is the Jakarta-Bandung High Speed Railway (HSR) in Indonesia. Jakarta-Bandung high-speed railway is the first high-speed railway in Indonesia and Southeast Asia, connecting Jakarta and Bandung, with a total length of 142.3 kilometers, a design speed of 350 kilometers per hour and a total project cost of 5.29 billion US dollars. As early as 2011, Japan conducted a feasibility study on high-speed rail construction with Indonesia, and in 2014, China held high-speed rail technology consultation with Indonesia. In 2015, China and Japan sent envoys to lobby Indonesia. Although Japan has a strong competitive advantage in high-speed rail technology, management experience and safety standards, China proposed a scheme with lower cost, shorter construction period and easier financing. In the end, Indonesia chose China's scheme, and China won the bid for the high-speed rail line from Jakarta to Bandung.

The second is the high-speed railway project in Thailand. In 2015, Thailand formulated a plan to build a number of high-speed rail lines with a total investment of 1.9 trillion baht. China and Japan were attracted to compete for this project. China had a strong advantage in winning the Thai HSR project due to its geographical proximity and the stability of Sino-Thai relations, but Japan was the largest investor in Thailand and winning the Thai HSR project was also valuable for Japan to strengthen its industrial presence in Thailand and other Southeast Asian countries. Finally, Thailand handed over the contracts for the Bangkok-Chiang Mai HSR line and the Bangkok-Linchabang double-track railway line to Japan. As a check and balance, Thailand handed over the Sino-Thai HSR project to China, which extended from the northern Laos border province to port of maputo in the southern Thailand. Once again, the Singapore-Malaysia High Speed Railway (SMHRL) was established. SINOSRL connecting Malaysia and Singapore has a total mileage of 350 kilometers,

with a total investment of 20 billion Singapore dollars. The construction of Kuala Lumpur-Singapore High Speed Rail is of great significance to both China and Japan.

2.3. Experiences and Lessons Learned from the Competition between China and Japan

For China, The Kuala Lumpur-Singapore High Speed Rail is an important link in the Trans-Asian Railway and an important economic corridor connecting China and Indo-China Peninsula, which is of great economic and geostrategic value for promoting cross-border cooperation between China and Southeast Asia and Indo-China Peninsula. As for Japan, the Singapore-Malaysia High Speed Railway can further consolidate its economic ties with Malaysia and Singapore, and squeeze China's high-speed rail development. Drawing lessons from Jakarta-Bandung High-speed Railway's loss, Japan has carried out a lot of marketing, lobbying and communication activities with the two countries, from high-level government diplomacy to bidding by enterprise group to non-governmental diplomacy, which shows Japan's determination to win the high-speed rail in Malaysia and New Zealand. In addition to HSR, China and Japan also have competition in other infrastructure fields, especially in the Mekong countries, which leads to China replacing Japan in Myanmar, while Japan maintains an advantage in Vietnam.

3. THE DUAL IMPACT OF SINO-JAPANESE DIPLOMATIC COMPETITION FOR INFRASTRUCTURE IN SOUTHEAST ASIA

3.1. Dual Impact on China-Japan Relations

On the one hand, for China and Japan, competition damages each other's interests and weakens bilateral relations. The relationship between China and Japan is itself affected by historical issues, the Diaoyu Islands dispute, and the regional balance of power, and an overemphasis on the competitive side of infrastructure diplomacy toward Southeast Asia would further weaken the development of the relationship between the two countries. This kind of negative influence has already appeared in this game. Since the turn of the century, Japan's competitive and defensive mentality towards China has been maintained at a high level, which makes Japan suspicious and opposed to the Belt and Road Initiative and the ADB from the beginning. In its infrastructure diplomacy in Southeast Asia, Japan overemphasized China's "strategic intention" and launched a fierce strategic competition against China with its "Quality Infrastructure Partnership Program" (QIPP). Under the cognition of this strategic competition, Japan and some western media stigmatized the normal economic behavior of China's high-speed rail going out as "economic colonization" of Southeast Asia, questioned the patent rights and safety of China's high-speed rail technology, and framed China's high-speed rail diplomacy, which caused the relevant countries to fall into a "debt trap". "The Japanese government and Japanese people have always been very dissatisfied with the infrastructure construction in China. China's infrastructure diplomacy has been slandered and accused by Japanese officials and people, which has damaged China's national image and is not conducive to the development of China's infrastructure diplomacy.

On the other hand, although the competition between China and Japan in infrastructure diplomacy in Southeast Asia stems from both countries' desire to maintain domestic economic vitality and their pursuit of regional political leadership, it is objectively unavoidable. However, China and Japan also have the need and possibility for cooperation in infrastructure diplomacy in Southeast Asia. In terms of necessity, Southeast Asia's huge demand for infrastructure can not be met unilaterally by either China or Japan, even if the Chinese-led ADB and the Japanese-led ADB invest all their funds in Southeast Asia. In addition, strengthening diplomatic competition for China's infrastructure is not in Japan's self-interest, especially in the context of the inextricably linked industrial chain that has been formed between China and Japan. In fact, Japan has partially adjusted its foreign competition policy

towards China's infrastructure. Since 2017, Abe's government has changed its attitude towards the Belt and Road Initiative and made a positive statement for the first time.

At the G20 Summit in 2017, Prime Minister Abe officially expressed to President Xi Jinping his willingness to cooperate with China on the Belt and Road Initiative. Although there are few achievements in infrastructure diplomacy between Japan and China in Southeast Asia at present, there are still opportunities for the two sides to establish some cooperation in the future. This is because, first of all, China and Japan share common interests in infrastructure diplomacy in Southeast Asia, such as the common goal of promoting regional interconnection. China and Japan share common interests in maintaining regional stability and peace and promoting free trade. Second, the policy concepts and strategic concepts of China and Japan in Southeast Asia interconnection are complementary rather than competitive. Japan is focusing on developing the east-west railway network, which conforms to its east-west economic corridor and industrial zones connecting Myanmar, Thailand, Lao People's Democratic Republic and Vietnam, so as to promote Japanese enterprises to establish production network in Southeast Asia through interconnection. The Trans-Asian Railway Network under the framework of "One Belt, One Road" advocated by China is a north-south route, hoping to connect with the Singapore-Malaysia high-speed railway, and promote the interconnection of Southeast Asia and the connection of China. Third, China's "One Belt, One Road" initiative does not set any participation threshold, and it always hopes to cooperate with other countries including Japan to jointly promote infrastructure construction and connectivity in Southeast Asia. The current asymmetric relationship between Japan and the U.S. in overseas infrastructure cooperation is not conducive to the autonomy of Japan's overseas infrastructure strategy. While retaining the established mechanism design of the Belt and Road Initiative, it is important to.

As China and Japan have reached a certain consensus on the understanding of "high-quality infrastructure investment", it is a better choice for Japan to cooperate with China in infrastructure. In fact, China and Japan have taken effective measures to invest in infrastructure in Southeast Asia, thus establishing a "competitive partnership".

3.2. Dual Impact on the South-East Asian Region

On the one hand, China-Japan infrastructure diplomatic competition can benefit Southeast Asian countries. Big countries are competing to provide various dividends to small and medium-sized countries in the region, especially public goods including favorable policies such as infrastructure. "Indonesia has benefited from China and Japan's competition to invest in Indonesia (high-speed rail project), which gives Indonesia options to work with its preferred project partners. This competition also brings aid and large-scale investment, benefiting Vietnam, Laos, Cambodia and Myanmar even more." Southeast Asian countries have always adopted the strategy of balancing great powers and are unwilling to rely on one country. Southeast Asian countries hope to maintain a balanced relationship with China and Japan. The Sino-Japanese infrastructure diplomatic competition provides an alternative for Southeast Asian countries to maximize their interests.

On the other hand, the diplomatic competition between China and Japan in the field of infrastructure has also brought pressure on Southeast Asian countries, leading to the securitization and politicization of infrastructure competition in Southeast Asia, which is not conducive to the stability of Southeast Asia. Faced with the pressure of Sino-Japanese diplomatic competition over infrastructure, some ASEAN members may prefer to cooperate with Japan to resist China's expanding influence in this region, while other countries may be more willing to accept China's help for economic and political interests. Such intra-regional differences could lead to divisions within ASEAN and increase tensions. Cambodia is an example. Japan claims to support Cambodia's infrastructure construction to promote Cambodia's industrialization and economic development, but in fact, Japan's goal is to push Cambodia to change its position of supporting China in the South China Sea disputes. Another example is Myanmar. Myanmar is a key geopolitical node, and China has enhanced its influence by

investing in the country's infrastructure, making it the country's largest trading partner and investor. In 2011, after the political transformation in Myanmar, Japan increase its infrastructure exports and investment to show that "Japan is still the most influential country in Southeast Asia and the most powerful country that the United States and ASEAN can rely on" to balance China's growing influence in Southeast Asia. Japan is still the most influential country in Southeast Asia, and it is also an important force that the United States and ASEAN can rely on to check and balance China's development in Southeast Asia.

In short, Sino-Japanese diplomatic competition over Southeast Asia's infrastructure goes beyond the infrastructure projects themselves, and is a strategic and geopolitical competition that could complicate Southeast Asia's infrastructure landscape and negatively affect Southeast Asia's integration and stability.

4. SUMMARY

Since 2015, China and Japan have launched a fierce competition in the field of infrastructure diplomacy in Southeast Asia. China has demonstrated its strong financing capacity through the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), while Japan actively attracted private capital and public-private partnerships through the Quality Infrastructure Partnership Program (QIPP) and its reformed investment and financing model. Public-Private Partnership (PPP) model. The direct competition between the two countries in the field of high-speed rail is particularly striking, such as the Jakarta-Bandung high-speed rail project in Indonesia, the high-speed rail project in Thailand and the The Kuala Lumpur-Singapore High Speed Rail project, which reflects the fierce competition between the two countries for expanding their influence in the Southeast Asia.

This competition has had a double impact on Sino-Japanese relations. On the one hand, fierce competition harms the interests of both sides and weakened bilateral relations. In particular, Japan is suspicious and wary of the "Belt and Road Initiative" and China's strategic intentions in infrastructure diplomacy in Southeast Asia. On the other hand, there is the possibility of cooperation between China and Japan in infrastructure construction in Southeast Asia. The two sides share common interests and goals in promoting regional connectivity and could complement each other in some areas.

For Southeast Asian countries, the Sino-Japanese competition has had a double impact. On the one hand, these countries have benefited from the competition and gained more economic dividends and choices. On the other hand, this kind of competition has also increased the pressure on Southeast Asian countries to "take sides", aggravated the problems of "securitization" and "politicization" of infrastructure construction, and is not conducive to the process of regional stability and the integration. This is not conducive to regional stability and integration. Generally speaking, the competition between China and Japan over infrastructure diplomacy in Southeast Asia is a profound strategic and geopolitical competition, which has a far-reaching and complicated impact on the region.

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