The Free and Open Indo-Pacific versus the Belt and Road: Spheres of Influence and Sino-Japanese Relations

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Abstract

Recent scholarship suggests that the thawing of diplomatic relations between China and Japan has caused a readjustment of Beijing’s Belt and Road Initiative and Tokyo’s Free and Open Indo-Pacific Vision towards an emerging complementarity. Through careful process-tracking, elite interviews, and analysis of Chinese and Japanese primary sources, this article instead demonstrates how, outside of the East Asian spotlight, Sino-Japanese geo-economic competition continues in South Asia and the Mekong subregion, fueled by power politics and a mutual distrust of each other’s initiatives. On the basis of this evidence, this article qualifies Sino-Japanese interactions as a quest and denial for spheres of influence, whereas the Japanese government aims at denying Chinese spheres of influence. In doing so, this article highlights how Japanese proactivism from Sri Lanka to Thailand, via infrastructure and government financing, has become a driver of growing non-traditional security with India, the U.S., and Australia.

Keywords: Japan-China; Free and Open Indo-Pacific; Belt and Road Initiative; economic statecraft; spheres of influence; Quad; Sri Lanka; Mekong

1. Introduction

China’s re-emergence as a global player, its advancement into the seas, Japan’s relative decline, nationalistic flare-ups in both China and, to a lesser extent, Japan, as well as maritime and territorial contestations in the China Seas have exacerbated contemporary Sino-Japanese rivalry. Yet, along with a thaw in Japan-China relations, recent authoritative voices have suggested a gradual, if noteworthy, shift in bilateral relations; specifically, that China, in light of Xi’s power consolidation and US pushback, is scaling down its mammoth Belt and Road Initiative (BRI) while opening to neighboring rivals (Medeiros, 2019; Sun, 2019); at the same time, the Japanese government has adjusted its broader foreign policy along an allegedly inclusive Free and Open Indo-Pacific (FOIP) vision that aims, at least in its recent formulations, to constructively complement China’s connectivity initiative by raising its standards to the international good practice enshrined in the OECD (Watanabe, 2019). The resumption of intensive summit diplomacy – highlighted by Abe’s 2018 official visit to Beijing and Xi’s
possible state visit – and the unveiling of Japan-China third-party market cooperation are cases in point (Sahashi, 2020; Hosoya, 2019). Other authors have also qualified Japan’s engagement, at best, as a strategic contrast (Wallace, 2019), marred by ongoing mutual mistrust (Rose & Sýkora, 2017).

Scraping the surface of diplomatic rhetoric, this article argues that geopolitics and great power competition continue unabated as the main drivers of Japan-China infrastructure competition. We argue that FOIP underscores an expansion of Japan’s strategic horizon to balance Chinese economic and naval advancement into the Indian Ocean, and that Chinese regional overtures ought to be understood as a tactical détente, at best, as infrastructure loans extend to key strategic regions – such as the Pacific Islands, Eastern Africa and South Asia – that have been given only cursory scholarly attention as playgrounds of Sino-Japanese global rivalry. After all, the academic literature has traditionally focused on Japan-China infrastructure competition in Africa, Latin America and the whole Eurasian landmass, with the notable exception of South Asia (Murashkin, 2020; Levy & Rose, 2019; Schulze, 2019; Wallace, 2019; Hirono, 2019; Sinkkonen, 2019). In fact, Japan’s FOIP proactively tackles that very macro-region that spans two oceans on the basis of a maritime geopolitical vision that empowers the rimlands to keep the fast-rising continental power away from “control of the seas”, not least because naval strategist Alfred T. Mahan is well-read and widely cited by contemporary Chinese and Japanese decisionmakers (Yoshihara & Holmes, 2018; Zhang, 2009; Hu, 2015; Yachi, 2011; Yachi et al., 2015; Kanehara, 2011). Abe Shinzō’s Japan, as well as the successor Suga Yoshihide administration which has inherited Abe’s strategic approach, have thus aimed at working in close coordination with “like-minded” maritime powers – such as the United States, Australia and India – in turn triggering Chinese security concerns.

Irrespective of Japanese and Chinese mirroring concerns rooted in a classical geopolitical worldview – one that emphasizes the links between maritime power, open access to the seas, and economic wealth (Hughes, 2011; Matsuda, 2019) – this article frames Sino-Japanese interactions in terms of competing spheres of influence. The academic literature has qualified contemporary Sino-Japanese competition, if not rivalry, in terms of ontological (in)security (Hagström & Gustafsson, 2015), asymmetric rivalry (Schulze & Blechinger-Talcott, 2019), useful adversaries (Costa, 2019), intimate rivals (S. Smith, 2016), or power politics resulting from a rapidly changing power balance and forceful, risk-prone leaderships (Liff, 2019; Pugliese & Insisa,
This article joins this debate on key, long-standing questions regarding China and Japan’s bilateral relationship – that is, how and why China and Japan have become competitors, even rivals. And by shedding light on case studies on infrastructure competition in South and Southeast Asia we argue that Japan and likeminded partners’ quest to deny China dominance over a maritime sphere of influence is the factor that persistently causes both nations to compete in the regional arena.

Spheres of influence are a subject of a burgeoning theoretical literature (Allison, 2020; Zala, 2020; Jackson, 2020). This concept is not a relic of the past, and not synonymous with direct control, or extraction, in neo-colonial fashion. Under this predicament, macroregional infrastructure and government-financing initiatives by both sides respond, on the one hand, to a security calculus aiming to counter perceived threats the open sea lines of communications of the Indian Ocean that connect East Asia to the energy markets of the Middle East and European shores of the global supply chain, a claim that has been emphasized in Abe’s security-oriented jabs at China’s advancement into the seas (Abe, 2012; Prime Minister of Japan and His Cabinet, 2014) and that clearly feeds China’s progressive need to secure its growing economic interests at sea and on land (Arduino, 2018).

At a geopolitical level, a Chinese sphere of influence may well be aimed at the exclusion of great powers imperiling its own security, as well as its prosperity, given the US-led coalition’s advantage over maritime sea-lanes in China’s proximity. At the same time, however, analysts suggest that a desire for security may well be a prologue to a more expansive appetite to the detriment of other regional powers (Medcalf, 2020), that in a turn feeds into a security dilemma on the side of Japan and like-minded partners. In fact, Japan has recognized the need to deploy all instruments of power to provide alternatives to China’s power projection, which is not of military type, but political and economic (Allison, 2020). The Japanese government under Abe consistently emphasized free and open regional seas as values buttressing security and prosperity, with a view of balancing China’s maritime presence (Ministry of Foreign Affairs of Japan, 2013). On the other hand, a sphere of influence is more simply “an area in which weaker states pay special deference to the interests, views, and anticipated reactions of the regionally dominant power. In brief, a Chinese sphere of influence can be defined as one in which the first question in the various capitals is, ‘What is Beijing’s view on this?’” (Brzezinski, 1997, p. 60). Jackson has systematized the types of spheres of influence, differentiating them between
geopolitical realist, rational contractualist, constructivist and relational ideal-types (2020). Sino-Japanese interactions have elements of both the first and second type, whereas economic and military capacity is seen as the most reliable means to adjudicate international politics. In short, Japan has moved to deny a Chinese sphere of influence on geopolitical grounds – avoiding the advent of a “Lake Beijing”, in Abe’s parlance – as well as China’s asymmetric influence over smaller economies by providing its own government financing alternatives.

The literature on denial of a Chinese regional sphere of influence has been mostly preoccupied with US-China competition, and with a focus on Southeast Asia and the South China Sea (Zala, 2020; Allison, 2017, p. 128; Shambaugh, 2018). This article widens the horizon of such body of work by examining the “geopolitical spillover” of China’s quest for a sphere of influence in Southeast Asia into the Indian Ocean and South Asia, underscoring in turn Japan’s importance as a key actor within this broadened geo-economic front. After all, Chinese strategists noted, as early as in 2015, that Tokyo would deny Beijing’s advancement in both Southeast and South Asia. For instance, influential Chinese IR scholar Wang Yiwei outlined the Chinese concerns over a Japanese “strategic upset” of the BRI. Starting from the assumption that Japan “could not sit by and watch the BRI’s success”, Wang estimated that Tokyo could have disrupted Chinese projects by using its FDI ‘superiority’ to create valuable alternatives in the establishment of infrastructures in Indochina and in the Bay of Bengal (2015, p. 108). Sino-Japanese rivalry is alive and well and extends beyond the traditional security field to encompass connectivity competition and competing visions of an emerging Indo-Pacific regional order.

Scholars focusing on China’s role in the Sino-Japanese infrastructure competition in Southeast Asia have discounted geo-economic concerns in favor of “economic considerations” (Zhao, 2019), although one authoritative voice acknowledges the economy-security nexus there (Yoshimatsu, 2018). In fact, existing scholarship fails to appreciate that Sino-Japanese security dynamics and competitive anxieties continue to feed into forceful economic statecraft in South Asia, a key juncture of the so-called Indo-Pacific. In order to make this argument, this essay presents an in-depth analysis of quiet Sino-Japanese government-financing competition in Sri Lanka –with notable developments in terms of coordination among Japan and India, and to a lesser extent, Australia and the United States. Moreover, it questions the degree of Sino-Japanese cooperation in Thailand, which is usually presented as a beacon of Japan’s new constructive stance vis-à-vis Beijing, by widening the frame to competitive sub-regional initiatives in the
Mekong area stretching westward to Northeast India. This empirically-rich analysis is aimed at rectifying the new wave of analysis that posits relevant adjustments, if not ‘hedging’, in Japan-China bilateral rivalry.

In the process, this paper also finds that significant Sino-Japanese competition transcends the bilateral level, and ought to be squarely framed within the context of a budding infrastructure entente between Japan and “likeminded partners”, a recent, if uncertain, development in connectivity partnerships, if not at the Quadrilateral level, certainly at the bilateral and trilateral ones. Quiet coordination between Japan and India have allowed the Japanese government to invest into third countries in India’s immediate proximity, again with fears of an expanding Chinese sphere of influence in mind. After all, China’s engagement with Pakistan through the China-Pakistan Economic Corridor and the potential militarization of the Chinese-built Gwadar port (Kardon et al., 2020) testifies to the aforementioned geopolitical and political declinations of spheres of influence.

In short, this article provides evidence of expanded (geo-)political dynamics defined in terms of spheres of influence, by highlighting Sino-Japanese infrastructure competition in Sri Lanka and, concomitantly, by qualifying cooperation in third countries as symbolic, at best, as demonstrated by the case of Thailand. It does so through detailed process-tracing that relies on thick descriptions and extensive use of Japanese and Chinese primary sources, including elite interviews. It is worth noting that an in-depth analysis of both target cases is wholly absent from the academic and policy literature.

2. Sri Lanka: Competition at a Geopolitical Frontline

Chinese and Japanese government financing in Sri Lanka since 2017 provides ample evidence that the deep strategic mistrust between the two states, motivated by Beijing’s quest for a sphere of influence in Southeast Asia and Japan’s denial of the same, has spilled over into the geopolitics of South Asia. Lying at the heart of the Indian Ocean maritime route towards oil-exporting Middle Eastern countries, Sri Lanka’s geostrategic relevance has turned the South Asian state into an important junction for both China’s BRI and Japan’s FOIP. This predicament has created a scenario in which one state’s international infrastructure and government financing compounds perceptions of insecurity on the other, a dynamic that resembles a security dilemma.
After all, Japanese policymakers under the security-conscious and China-wary Abe administration understood the BRI’s Maritime Silk Road squarely in geopolitical terms, according to which investment into port facilities in the Indian Ocean aims at expanding Chinese control of the seas through what Indian and Western analysts have labelled as a “String of Pearls” strategy, a colorful rendition for a potential Chinese maritime sphere of influence around the Subcontinent. Geopolitical dynamics have always been in the mind of policymakers: according to mid-to-high ranking Japanese officials, harbors across that Ocean would – slowly but surely – assist the Chinese People Liberation Army Navy’s (PLAN) sustained deployment into the Indo-Pacific (Interview 2019a; Interview 2019b; Interview 2020a; Interview 2020b; Interview 2020c). Conversely, China’s heavier reliance on the Indian Ocean’s sea lanes of communication for its trade and energy security needs have heightened its security considerations there, especially vis-à-vis US naval projection.

Thus, irrespective of legitimate economic aims that propped up an isolated economy such as Sri Lanka, China’s embrace of Colombo triggered a quick Japanese government reaction also in light of fears that Sri Lanka would comply with Chinese political desiderata, out of economic inducements. Far from easy generalizations of “debt trap” diplomacy, China has since the 2000s provided a lifeline to Sri Lanka, as the country faced heightened political risks during the civil war and its aftermath. In fact, international sanctions imposed in the later stages of the civil war made China Sri Lanka’s only friend. Relying on a close relation with former President Mahinda Rajapaksa, between the second 2007 and 2012 Beijing embarked on a $5 billion program of infrastructure financing and – through its tied-loan practices – construction, with the Hambantota Port and the Colombo Port City project as flagship project. But the Abe Shinzō government reignited relations with Colombo in 2014 as Abe became the first PM to visit the island state, a hint of Sino-Japanese global rivalry, and an indication of Japan’s widening strategic horizons into the Indo-Pacific (Iwaki, 2014; Schulze & Blechinger-Talcott, 2019). Still, the most helpful heuristic concept to explain Japan’s reactive behavior in Sri Lanka has been the Abe government’s drive to deny a potential Chinese sphere of influence stretching across the “String of Pearls”. Even though Japan’s development financing in South Asia focused on India – a great power and large economy in the making, and the biggest recipient of Japanese Official Development Assistance (ODA) since the early 2000s – by the end of the decade, the Abe administration sensibly stepped up its infrastructure and financing programs in Sri Lanka in
response to China’s presence. It did so within a context of deepening strategic relations with India and the United States. Tokyo’s overtures to Sri Lanka were complimentary to both parties’ interests: the development of the Colombo Port aimed at easing New Delhi, Tokyo and like-minded governments’ anxieties of Chinese influence in India’s “backyard”, while financial and administrative capacity building programs worked in tandem with US ones (Ministry of Foreign Affairs of Japan, 2018a).

Moreover, Sri Lanka’s changing domestic political landscape kindled Sino-Japanese competition, suggesting that developing countries are not mere pawns in a larger geopolitical game for spheres of influence, but proactive agents in leveraging competition for their own benefit. Maithripala Sirisena’s unexpected victory in the 2015 presidential elections over the incumbent Mahinda Rajapaksa led to a rebalancing of Sri Lankan foreign policy. The new administration aimed to diversify foreign investments and renegotiate the onerous terms of the China-backed Colombo Port City project. However, within a broader context of increasing financial difficulties in repaying Chinese loans, Colombo ultimately obtained a $1.1 billion debt-for-equity swap with Beijing that resulted in the sale of 70% of the Hambantota Port to the Chinese SOE China Merchants Port Holdings in July 2017. A corollary deal regarding the granting of a 99-year land lease for the construction of a Chinese investment zone in the port area, which had caused popular protests around the time of its announcement, was later signed in June 2018 (Aneez, 2018). A further deal concerning Hambantota, a branch of the broader Central Expressway Project connecting the port area to the city of Kandy, in the island’s heartland, was concluded in April 2019 with a $1 billion Chinese loan (Ministry of Mass Media of Sri Lanka, 2019). Overall, data published in late 2019 show that Beijing is on route to overtaking Japan as Sri Lanka’s leading creditor via project-linked and commercial loans, as Colombo owes approximately $3 billion to Beijing, amounting to 9.5% of its total external debt, compared to the 10% owed to Tokyo (International Monetary Fund, 2019).

Lingering fears of Chinese rapacity among portions of the Sri Lankan government (and its giant neighbor) circumscribed and limited the scope and depth of China’s engagement in Sri Lanka. In fact, Beijing’s embrace of Colombo and the global uproar over its “debt-trap diplomacy”, irrespective of the highly contested nature of that claim (Bräutigam, 2019), suggests that changes of government and pressure from within recipient countries normally weaken the reach of Chinese initiatives. For instance, to appease public opinion and potentially New Delhi,
Sri Lanka refused a Chinese port of call for a PLAN nuclear submarine, although the immediate reason given for this refusal was the concomitant visit of the Indian PM Modi to the island neighbor. Notwithstanding Colombo’s caution, previous facts on the ground such as the scarce number of vessels berthing in Hambantota since its inauguration and the docking of two Chinese nuclear submarines in Colombo in 2014 affected the reception of the Hambantota deal, strengthening suspicions that BRI projects could turn into unsustainable debt burdens intended to project political influence over the target country and Chinese forward deployment (Chellaney, 2017; Schultz, 2017). A New York Times investigation fueled these concerns as it reported payments for the port construction flowing into the Rajapaksa campaign in 2015, progressively ‘more onerous’ loans for the development of the port, and the discussion of Hambantota port’s ‘strategic and intelligence possibilities’ between the two sides during the negotiations (Abi-Habib, 2018).

In the midst of the renegotiation of relations with Beijing, the Sirisena administration effectively and opportunely tapped into Japan’s expanding strategic horizon and anxieties over China’s spheres of influence, with requests for engagement and alternatives to China-backed loans (Interview 2020a). The Abe administration, in turn, reciprocated by coupling economic and diplomatic engagement with initiatives aimed at enhancing maritime security cooperation with Colombo. In January 2018, Kōno Tarō became the first Minister of Foreign Affairs to visit Sri Lanka in sixteen years. Kōno put forth the importance of the island in Japan’s FOIP and highlighted Tokyo’s commitment to enhance connectivity in the region through “quality infrastructure projects … as well as by strengthening cooperation for maritime safety” (Somarathna, 2018). Whilst such statements are familiar narratives of the Abe administration’s diplomacy, the reference to quality infrastructure in Sri Lanka had a particular resonance given the proliferation of Chinese projects against a backdrop of suspected corruption and environmental concerns. Sirisena’s meeting with Abe in Tokyo later in March 2018 confirmed the new trend in the bilateral relation, now focusing on “economic cooperation” and “maritime, security and defense-related cooperation” (Ministry of Foreign Affairs of Japan, 2018b).

Crucially, by late 2018 Japan’s economic and security cooperation with Sri Lanka had become a driver for coordination among the members of the revamped quadrilateral security dialogue (“Quad”), although this should be primarily understood at the bilateral level. Joint initiatives have been launched in South Asia, South-East Asia and Pacific Islands, thus
highlighting both the close connection between geo-economics and maritime security and a Japanese leadership that needed little cajoling from US counterparts. Authoritative testimonies suggest that the United States and European players have actively favored Japan and Australia’s infrastructure offerings (Interview 2020d). While interviews suggest that the Quad is very much a work-in-progress with regard to policy coordination, the four partners have in recent years acted on clear connectivity cooperation among them (Interview 2020e). The 2018 Japan-India Vision Statement, in particular, fleshed out the newfound synergy between the Modi administration and the Abe cabinet, as the two countries committed to joint connectivity projects in South Asia (Indian Ministry of External Affairs, 2018a). The fruits of this cooperation emerged in May 2019, as Japanese authorities together with Indian and Sri Lankan counterparts signed a Memorandum of Cooperation (MoC) for a $500-to-700 million development of the East Container Terminal in the port of Colombo. Sri Lankan sources mentioned a 40-year Japanese loan with an annual interest rate of 0.1%, with the Sri Lanka Port Authority maintaining full ownership of the terminal and a majority stake of the tripartite joint venture operating it. In the words of a source in the Port Authority, it was “one of the best loan terms Sri Lanka has obtained” (Srivinisan, 2019). Earlier in March, a $270 million ODA loan (also at an annual interest rate of 0.1%) granted by JICA had kickstarted a plan for a $1.85 billion light rail system in Colombo (Japan International Cooperation Agency, 2019). By late 2019, days before the presidential election, the Colombo authorities announced plans to issue their first ever yen-denominated bonds with a guarantee from the Japan Bank for International Cooperation. Tellingly, Japan’s financing operations stand in stark contrast to China’s less advantageous financing practices. Details and interest rates for the largest Chinese deal concluded after the Hambantota lease, the $989 million loan financed by China EXIM Bank for the construction of the first section of the Central Expressway Project, for instance, have not been released at the time of writing, and the disbursement of the loan itself has been subject to delays. The Sirisena administration also publicly advocated for Japanese support for the development of a new port hub in the harbor of Trincomalee, in the Tamil-majority Eastern Province, which Kōno Taro’s had visited during his January 2018 tour (“PM Seeks Japanese Assistance To Develop Trincomalee Port,” 2018; “Japanese Foreign Minister Visits Colombo Port,” 2018).

Other initiatives by Quad members could potentially involve Sri Lanka in the future: Australia’s decision to launch a relatively small South Asian Regional Infrastructure
Connectivity Initiative in January 2019 (Government of Australia, Minister of Foreign Affairs, n.d.); and especially Washington’s Blue Dot Network, in which Japanese and American policy banks take the lead (U.S. Department of State, n.d.). In this context, the American offer of a US$480 million “Millennium Challenge Corporation” (MCC) Compact for enhancing connectivity and access to land to Sri Lanka in April 2019 exemplifies the “quiet coordination” among Quad members in the region, and in relation to Colombo in particular (Millennium Challenge Corporation, n.d.). While not directly related to the expansion of the Trincomalee port proposed by Sri Lanka to Japan, the MCC Compact aimed to improve transportation and “weak land administration” across an area stretching from Colombo to Trincomalee itself, an area roughly corresponding to pre-existing projects for an economic corridor between the two cities (U.S. Embassy in Sri Lanka, 2019a). The Compact, originally approved by the Wickremesinghe cabinet in 2019, was however suspended by the new Sinhala nationalist administration led by President Gotabaya Rajapaksa, brother of Mahinda, later the same year, as Sri Lankan political actors raised warnings of a supposed plan for an American landgrab on the island (“Millennium Challenge Corporation (MCC) Grant Dilemma,” 2020). The planning of the MCC Compact and its fate highlight indeed the necessity, the advantages, and the limitations of a still-in-the-making division of labor, both in light of Sri Lankan public wariness of the US and India, and of Beijing’s maritime presence in the region.

Against this backdrop, the security dimension of Japan-Sri Lanka relations buttresses the competitive edge of Japan’s policies vis-à-vis China, as exemplified by the “goodwill visit” to Colombo of two vessels of the Japanese Maritime Self-Defense Force (JMSDF), the helicopter carrier Izumo and the destroyer Sazanami in July 2017 (Embassy of Japan in Sri Lanka, 2017a). More noticeably, JMSDF operations in the Indian Ocean occurred in the wake of Tokyo’s increasing “commitment by presence” in the South China Sea and beyond: the Izumo for instance, visited Colombo in the wake of a lengthy deployment in the hotly contested maritime space, amid China’s expansive claims over international waters (Maslow & Pugliese, 2018, pp. 94-95). Shortly before Kōno’s visit in January 2018, the destroyer Setogiri reached the port of Trincomalee for a joint anti-piracy exercise with the Sri Lankan Navy (Embassy of Japan in Sri Lanka, 2017b). Successively, Onodera Itsunori became the first Japanese Minister of Defense to visit Sri Lanka in August 2018, stopping in Colombo, Trincomalee and the port of Hambantota.
Arguably, his visit “tested” Chinese claims on the openness of Hambantota, created a precedent, and constrained future choices, while effectively sponsoring the FOIP agenda.

Noticeably, Onodera arrived in Colombo after a meeting with his Indian counterpart in New Delhi, in which India and Japan started talks for a bilateral acquisition and cross-servicing agreement. The Indian leg of the tour served as a platform to reiterate Japan’s commitment to “freedom of navigation” and “rule of law” in a context of implicit coordination among like-minded parties (“Japan and India Agree To Begin Talks on Defense Sharing Pact to Counter China,” 2018). Interviews with Japanese officials suggest for instance that New Delhi encouraged Tokyo’s physical infrastructure presence in Sri Lanka, and was appreciative of successive “strategic port calls” (senryakuteki kikō) by Japanese warships in the island state, an important development of Japanese military signaling under the Abe government (Interview, 2019a; Interview, 2019b; Interview, 2020a; Interview, 2020b; Patalano, 2017; Aoi, 2017). India had to hide its hand for fear of feeding into Sinhala resentment in the aftermath of the civil war against the Tamil Tigers and, according to one Japanese diplomat, it preferred Japanese physical presence in its immediate neighborhood to an American one (Interview, 2020a).

As further evidence of the careful planning of Japanese engagement with Sri Lanka, days after Onodera’s visit, the local Coast Guard received two patrol vessels worth ¥1.8 billion, thanks to a 2016 grant agreement between JICA and Colombo (Japan International Cooperation Agency, 2018). In line with the FOIP agenda, the Japanese Embassy’s press release stressed that the vessels would help Sri Lanka to “strengthen control of maritime borders” (Embassy of Japan in Sri Lanka, 2018). Noticeably, the two vessels joined the Sri Lankan fleet only days after Washington officially gifted the former US Coast Guard cutter Sherman to the Sri Lankan Navy (U.S. Embassy in Sri Lanka, 2019b). The JSDMF further raised its profile in the Indian Ocean with a six-day visit to Colombo by Japan’s second helicopter carrier, the Kaga, as a part of its 2018 “Indo-Southeast Asia Deployment”. Flesching out the strategic linkage of the Indian Ocean with South-East Asia, the Kaga reached Sri Lanka after a tour in the South China Sea – where it was shadowed by PLAN vessels (Kelly, 2018). Compared to Japan, China has maintained a relatively low profile from a security and military-signaling perspective in Sri Lanka since 2017, with Chinese and local authorities often not publicizing PLAN port of calls. The difference between Chinese and Japanese postures highlights the difficulties that the Hambantota lease and the consequent international scrutiny created for Beijing.
Japan’s pro-activism in Sri Lanka resulted in a multifaceted response by China. PRC officials gave a muted acknowledgement to the Indo-Japanese plan to develop the port of Colombo, simply emphasizing the open nature of the BRI (Ministry of Foreign Affairs of the People’s Republic of China, 2019a). It is telling, however, that Japan’s actions have been regularly covered by the hawkish state-media outlet Global Times with a series of articles aiming to raise questions over its real intentions in Sri Lanka (Sun, 2018; Sun et al., 2018; Yuan & Yao, 2019). The result has been the re-emergence of a veiled narrative of a “mischievous Japan” behind the façade of BRI-driven Sino-Japanese cooperation sponsored by Chinese legacy media (Wang K., 2018). Beyond national media, Chinese scholars have also contributed to this narrative arguing that the expansion of JSDMF’s operations in the Indian Ocean, implemented “under the pretext” of protecting the country’s southwestward shipping routes, were in fact a threat to the security of China’s own routes to oil-rich countries of the Middle East (Wang et al., 2018, p. 77). Within a context of increasing Party control over both media and academia under Xi Jinping, the persistence of a negative narrative about Japan rooted in classical geopolitics suggests that concern and even vitriol towards Tokyo’s FOIP is allowed to spill out of the black-box of China’s foreign-policy making into ‘controlled’ audiences, namely ultra-nationalist segments of the public and scholars. It is noteworthy that State Councilor Wang Yi had recently upped the rhetorical volume against the Quad and FOIP as a potentially destabilizing NATO of East Asia in the making, a result of the recent high-level meeting between foreign ministries of the Quad (“Chūgoku, ‘hōimō’ kirikuzushi no kamae,” 2020).

This trend of competitive infrastructure and government financing informed by an underlying security dimension, which emerged in Sri Lanka under the Sirisena administration, has continued following the victory of Gotabaya Rajapaksa in the presidential elections of November 2019. The new administration has expressed its willingness to renegotiate both the terms of the Hambantota lease deal and of the MCC Compact (Ondaatjie & Sirimanne, 2019; Kirinde, 2020), and the former president and current PM Mahinda Rajapaksa publicly pressured New Delhi to defer debt repayment, arguing that this would convince other powers, “including China”, to take such steps (Haidar, 2020). In short, the new Rajapaksa administration continues to pursue a balancing foreign policy in the attempt to maximize the advantages of a budding competition among great powers, where Japan, India and likeminded parties aimed at denying China’s inroads in what used to be New Delhi’s traditional sphere of influence.
3. Thailand and the Mekong: The Illusion of Cooperation

Since the mid-2010s the convergence between Southeast Asia’s growing need for infrastructures, China’s BRI outreach, and Japan’s response to the Chinese plans, has provided a new impulse to the revival of ASEAN plans for establishing multiple ‘economic corridors’ across the region (Lauridsen, 2019, pp. 229-230). As in the case of Sri Lanka and South Asia, a strategic calculation rooted in classical geopolitics and aiming at denying the emergence of a wider sphere of influence can be discerned behind the Japanese officials’ explicit interest in contrasting the North-South corridor between China and Southeast Asian countries with an East-West corridor. By enhancing connectivity between Mekong countries all the way to Northeast India, such a corridor would provide alternatives to China’s capital and markets, interlink ASEAN economies, and foster links between them and the Indian subcontinent (Interview, 2020b). In other words, there was a clear plan behind Japan’s “quality infrastructure” projects, one that was not merely a strategic contrast to China’s economic embrace (Wallace, 2019) but which was rooted in classic geopolitical thinking.

Consequently, given Thailand’s central position in mainland Southeast Asia, the Prayut administration has been in a privileged position to exact favorable terms from both Beijing and Tokyo in order to enhance the country’s infrastructure network and improve connectivity with its neighbors, necessary conditions for the “Thailand 4.0” strategy of economic development (Hartley, 2017, pp. 582-583). Bangkok’s agenda could rely in particular on its overlap with Chinese and Japan interests in enhancing connectivity in mainland Southeast Asia as a way to ease access to the Indian Ocean and bypass the bottleneck of the Malacca Strait. This entanglement of Thai, Chinese and Japanese interests, in turn, led to the emergence of a railway-diplomacy triangle in the second half of the 2010s. Negotiations for a Sino-Thai railway connecting Yunnan to Thailand via Laos, as part of a “Pan-Asia Railway Network” linking China to Singapore, date back to a first MoU signed in 2014. After lengthy discussions and interruptions, centered on proposed interest rates and developmental rights which the Thai government deemed economically and politically unacceptable, the railway is now expected to be completed in 2025 with Thai funds and Chinese technology (Hongtong, 2019). The lengthy negotiations with China occurred while the Thai government discussed the possibility of a
Bangkok-Chiangmai Shinkansen railway line, a project which has eventually stalled because of Thai concerns about costs (Hongtong, 2019). In negotiations with both Beijing and Tokyo, Bangkok has assumed a maximalist posture vis-à-vis the two East Asian powers, counting on China’s designs to integrate Thailand into the BRI network on the one hand, and on Japan’s keenness in remaining a key actor in the Southeast Asia infrastructure race on the other hand.

These triangular dynamics have re-emerged since the Thai junta passed a law to promote trade and investment for its flagship infrastructure project, the Eastern Economic Corridor (EEC) in February 2018. The timing of the new infrastructure plan largely coincided with Beijing and Tokyo’s public attempts to reset their relation under the shadow of an unpredictable Trump administration, as demonstrated by the two sides’ willingness to resume, after eight years, the Japan-China Economic Dialogue in April 2018 (Pugliese & Maslow, 2019, pp. 113-116). This round of Japan-China summits, in fact, projected an image of joint economic cooperation with a view to the development of a new phase of bilateral relations moving “from competition to cooperation”, even hinting at a “new era in Sino-Japanese relations” (Shigeta, 2018).

In this new diplomatic climate, economic cooperation in third countries such as Thailand appeared as a feasible testing ground for the reset of bilateral relations. Expectations for tangible results focused on the EEC’s pilot project, a railway link connecting Thailand’s major airports, following reports of a bipartisan willingness to cooperate. The airport link, however, did not appear among the projects included in the Memorandum of Cooperation signed at the first “Sino-Japanese Forum on Third Country Business Cooperation”, which occurred on the sidelines of the Xi-Abe summit in Beijing in October 2018 (Ministry of Economy, Trade and Industry of Japan, 2018). Its absence foreshadowed the announcement that the Japanese companies which were expected to participate had retreated from the bid for the project. This bid was ultimately won by an international consortium including China Railway Construction (Kishimoto, 2019). Thus, beyond the unfolding of the EEC airport link saga, Japan’s contribution to third country business cooperation with China appeared to have been limited to the rebranding of pre-existing government financing destined to Thailand as cooperative financing with Beijing (Pugliese & Maslow, 2019, p. 118). It is worth noting that the failure to effectively shift from competition to cooperation between the summer and the autumn of 2018 coincided with increasing Japanese pro-activism in the Indian Ocean in light of Onodera’s visit to India and Sri Lanka and the Kaga destroyer’s “2018 Indo Southeast Deployment”.

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An in-depth analysis of Tokyo’s pro-forma overtures and lack of deliverables bolster this article’s argument of sustained Sino-Japanese competition in lieu of a supposed cooperative turn. Under Abe, the Prime Minister’s Office (Kantei) has been central in determining Japan’s foreign policy and economic initiatives, while business interests and trade agencies have played a marginal role in the decision-making process. Abenomics insulated Japan’s economy from excessive dependency on the Chinese market and, in the process, it reinforced the Kantei’s hand vis-à-vis the business community, which has traditionally pushed for a softer China policy (Li, 2016). Hence, Abe’s Kantei bought off Japan’s powerful economic interest groups by doubling Japan’s overseas government financing program, thus defusing their demand (and the Minister of Finance cadres’ strong desire) for Japan to become a member of China’s Asia Infrastructure Investment Bank (Nishimura, 2015, pp. 67-70). Recent articles suggest that the Kantei has towered over development financing decision-making, as Official Development Assistance became increasingly securitized through provision of patrol planes and coast guard vessels to littoral states in the Asia-Pacific (Yamamoto, 2016; Yamamoto, 2020). The planned addition of an economic team to the National Security Secretariat appear to confirm the Kantei’s hold on economic security remit (“Japan Likely To Draw Up Economic Security Strategy in 2020,” 2020).

These premises explain how, on the eve of Abe’s diplomatic tour to China and the announcement of the first Japan-China forum on Third Country Cooperation (JETRO, 2018), the Japanese business community faced pressure from the Kantei to brainstorm plans for joint ventures and MoUs between Japanese and Chinese companies in third party countries, with a focus on infrastructure projects in Thailand (“Nicchû daisan goku kyōryoku wa seiji no sanbutsu – Kyūgoshirae kadai sanseki,” 2018). According to a Japanese researcher based at the Institute of Developing Economies, the Abe administration merely repackaged pre-designated government funds marked for Thailand as cooperative financing with China (Interview 2019c). Additionally, Ministry of Economics Trade and Industry officials confirmed in interviews that tangible results were yet to be seen (Interview, 2019d; Interview, 2019e; Interview, 2020f). Thus, the premises behind Tokyo’s infrastructure cooperation in third countries with Beijing were extremely fragile. For former Ambassador to China Niwa Uichirō, third country infrastructure cooperation consisted of mere rhetoric (Interview, 2019f). As Niwa had previously chaired Itōchū, one of the signatories of the various MoUs signed in late 2018 with Chinese companies, his opinion is
particularly relevant. In short, these gestures, in the absence of actual new funding, served only to improve the atmosphere of Sino-Japanese relations and temper the two countries’ public opinion.

In fact, Chinese and Japanese parallel strategies for engagement with Thailand and its neighbors in the Mekong subregion since 2018 are further evidence of Beijing’s attempt to establish a sphere of influence in Southeast Asia as a bridgehead to the sea lanes of the Indian Ocean, and of Tokyo’s countermeasures to dilute China’s gravitational force by offering alternative frameworks which intriguingly, also rely on expanding coordination among Quad members. Tokyo and Beijing shaped their regional plans via two pre-existing platforms: the Mekong-Japan Summit (MJS) launched in 2008, and the Chinese-led Lancang-Mekong Cooperation Mechanism (LMCM) established in 2015. The “Five-Year Plan of Action on Lancang-Mekong Cooperation (2018-2022)”, proposed in January 2018, summed up Chinese aims to synergize ASEAN connectivity plans with the BRI, and to apply its own emerging financial and infrastructure standards to the sub-region (“Five-Year Plan of Action on Lancang-Mekong Cooperation,” 2018). The “Tokyo Strategy 2018” issued at the 2018 MJS in October linked instead multilateral cooperation in the Mekong area – along the lines of increased connectivity, “quality infrastructure”, and sustainable development – to the FOIP agenda, emphasizing MJS members’ commitment to “a free and open order based on the rule of law” (Ministry of Foreign Affairs of Japan, 2018c). Further highlighting the security dimension of Japan’s engagement with Mekong states, the Tokyo Strategy included a section concerning the South China Sea issue. Without directly mentioning Chinese activities in the disputed waters, the document pointed out the necessity for a “rules-based order” and for freedom of navigation and overflight, while expressing concern over “land reclamations and activities in the area, which have eroded trust and confidence [and] increased tensions” (Ministry of Foreign Affairs of Japan, 2018c).

The MJS also provided the institutional context for supporting the expansion of connective links between Thailand and Myanmar, an initiative that further exemplifies Tokyo’s modus operandi in the Mekong area and its geo-strategic implications. Documentation attached to the Tokyo Strategy outlined Japan’s intentions to participate in “triangular cooperation” projects with Thailand and Myanmar with the aim to improve connectivity between these countries along the ASEAN East-West Economic Corridor (EWEC) and the Southern Economic
Corridor (Ministry of Foreign Affairs of Japan, 2018d). In late 2019, following the opening of the second Thai-Myanmar Friendship Bridge, Bangkok and Naypyidaw planned for the extension of the EWEC from its original terminal in the border area to the Myanmar economic hub of Yangon, with the extension expected to pass through the JICA-funded Special Economic Zone of Thilawa (Nitta, 2019). As Japanese commentators noted, the completion of the corridor, by easing access to the Indian market, could potentially reduce the economic dependence from China among mainland Southeast Asian states (Nitta, 2019). India’s own engagement with Thailand and Myanmar confirms a geo-strategic convergence with Japan in mainland Southeast Asia. As part of its Act East Policy launched in 2014, the Modi administration had already begun the construction of the India-Myanmar-Thailand Trilateral Highway in May 2017, aiming to connect its economically underdeveloped northeast to the Myanmar-Thai border (Indian Ministry of External Affairs, 2018b). Noticeably, following the beginning of construction works on the Trilateral Highway, New Delhi and Tokyo established an interministerial Japan-India Coordination Forum on the Development of the Northeastern Region (Embassy of Japan in India, 2017), and the India-Japan Act East Forum, “a platform for India-Japan collaboration under the rubric of India’s “Act East Policy” and Japan’s “Free and Open Indo-Pacific Strategy”” (Indian Ministry of External Affairs, 2017). In this context, it is worth noticing that New Delhi’s infrastructure financing convergence with Quad partners is poised to be enhanced through the launch of US-India Triangular Cooperation in third countries, with projects targeting Maldives, Bangladesh, and Lower Mekong countries, and possibly Sri Lanka (Indian Ministry of External Affairs, 2020).

The infrastructure plans pursued by Quad members in Mekong countries should be assessed, in turn, against the backdrop of China’s own fraught relation with India and its infrastructure policy in Myanmar. Following the halting of the Bangladesh-China-India-Myanmar (BCIM) Economic Corridor because of New Delhi’s reluctance to join the BRI, Beijing proposed a “China-Myanmar Economic Corridor” (CMEC) to Naypyidaw in November 2017 (Ministry of Foreign Affairs of the People’s Republic of China, 2017). After a phase of stalling throughout 2018, China provided a new momentum to its relations with Myanmar as the EWEC expansion plans began to unfold. The two countries signed a CMEC cooperation plan at the Second BRI Forum in 2019; and following Chinese President Xi Jinping’s official visit, upgraded the status of their bilateral relations to that of a “Community of Common Destiny” and
agreed on a new string of infrastructure projects, including the construction of a deep-sea port in the Bay of Bengal (Ministry of Foreign Affairs of the People’s Republic of China, 2019b, 2020). Thus, while Japan and India carefully tapped into previous ASEAN plans for a “horizontal” East-West corridor in mainland South East Asia to emerge outside of the BRI framework, China pushed for “vertical” North-South corridors in Thailand and Myanmar.

As in the case of Sri Lanka, it is possible to discern a public discourse critical of Japanese pro-activism in the Mekong area behind the relatively muted reaction of Chinese diplomacy and state media. Popular Chinese media provided coverage of the major developments of Thai railway projects, at times with jingoistic overtones (Zhao, 2017; “Gaotie zouchuqu,” 2018). These voices on Chinese media could be discounted as merely catering to the nationalist segments of the public opinion, presenting feel-good stories about “Chinese victories” and providing a dose of Schadenfreude about Japanese “defeats”. Nonetheless, they are evidence of the crystallization of those antagonistic narratives about Japan that were originally revived during the Senkaku/Diaoyu crisis (Pugliese & Insisa, 2017, pp. 117-121). More significantly, criticism of Japan in Chinese media finds an echo in the domestic scholarship on the subject, though with one key difference. Chinese media focus on the country’s perceived successes, while domestic scholarship focuses mostly on Japan’s competitiveness. In doing so, Chinese scholars show the realist underpinnings behind their perceptions of Japanese infrastructure financing in Thailand. Echoing similar analyses on Sri Lanka, Tokyo’s agenda appears dominated by geopolitical concerns over access to the Indian Ocean as well as by the desire to disrupt and create alternatives to Chinese projects (Huang et al., 2017, pp. 1494-1495; Zhang & Zhao, 2019, pp. 62-63). Discussing recent Japanese engagements in third-country business cooperation with China, one Chinese scholar even lamented the “duplicity” (liangmianxing) of this perceived posture shift by the Abe administration, deeming it a means to hedge against the risks posed by the Trump administration, while at the same time continuing to cooperate with like-minded partners in order to hedge against Beijing (Wang J., 2018, p. 80).

4. Conclusions

This article has presented an in-depth analysis of Sino-Japanese government financing competition in Sri Lanka and empty cooperation in Thailand, two case studies wholly absent in
the literature, to rectify the new wave of analysis that posit adjustments of note, if not “hedging”, in Japan-China bilateral rivalry. On the basis of a panoply of primary sources in three languages, including elite interviews with Japanese officials, this article has presented an in-depth analysis of Sino-Japanese engagement in the Indo-Pacific with an accent on spheres of influence. It has done so to find that security and political calculations run deep beneath connectivity initiatives, as seen from Japanese officials’ qualification of the BRI in terms of Chinese advancement into the seas and fears that its economic engagement in the Indo-Pacific would translate into a wider Chinese sphere of influence in both geopolitical and political declinations.

Maritime geopolitics is an ever-present factor. Tokyo’s economic engagement with Sri Lanka following the Hambantota port lease was followed by strategic port calls and naval diplomacy. Diplomatic pronouncements in favor of FOIP and a succession of diplomatic visits by Japanese cabinet members further signaled Tokyo’s priorities. Moreover, the Indian and American governments supported, if not cajoled for Japanese engagement in Sri Lanka to contrast the emergence of a Chinese “String of Pearls” in the Indian Ocean. Taken together, all these developments highlight the strong link between economic statecraft and China-Japan competition over regional spheres of influences. Behind the façade of Sino-Japanese cooperation, Japan has instead engaged likeminded partners that are concerned with keeping China’s influence in check. New Delhi, in particular, is content with enlisting Japan’s support in its neighborhood while retaining a degree of non-alignment.

Japan is playing a concerted game with all levers of power: military signaling through presence operations, economic, and communication powers, as can be seen by publicity accorded to these initiatives. The composite nature of the China challenge and Abe’s diplomatic and security team’s preference for geopolitics and military realism has translated into a grand strategy focused on leveraging Japan’s military, constabulary, economic and communication assets throughout the Indo-Pacific rimlands. The case of Thailand, a window to Japan-China Third Country Cooperation, shows that the Japanese government has presented empty cooperation in distinctive constructive terms. Unsurprisingly, a wariness of the Abe administration’s goals transpires from interviews with Japan-based China watchers and Chinese interlocutors, with Chinese policymakers even considering Tokyo’s four conditions for cooperation with Beijing as mere rhetorical devices to highlight the differences between the two countries (“ASEM shunō kaigi Abe Shushō, Nicchū kyōryoku fukumi kaigai infura seibi,
Tokyo’s relabelling of the Free and Open Indo-Pacific Strategy into a transregional “vision” with an ASEAN pivot further exemplifies this dynamic and hints at FOIP’s conceptual flexibility (Garekar, 2018; Koga 2020). The Japanese government portrayed it as a friendly gesture to Beijing, a sign that it had no intention to contention its giant neighbour, but the primary aim was, arguably, to leave room for manoeuvre to Southeast Asian governments unwilling to choose between the Chinese and American camps. It is indicative of ongoing competitive dynamics that FOIP has recently been targeted by Chinese statements and contested by some of China’s partners in ASEAN, triggering in turn Japanese anxieties ("Chūgoku, ‘hōimō’ kirikuzushi no kamae,” 2020; Hosoya, 2020).

According to one high ranking official, “the Japanese government recognized China’s superior material capabilities and harnessed underappreciated sources of leverage, such as strategic communications, to turn the tables” (Interview, 2019k). Moreover, as US public diplomacy turned up the volume on Chinese “debt trap diplomacy”, Beijing had to be careful in publicizing its military engagement for fear of incurring international backlash and counterpublicity from recipient countries. The Trump administration’s China pushback has fed into a rethink of Chinese and Japanese government’s stance, but the stormy undercurrents of great power competition suggest that this change is a tactical one and China’s latest criticism of FOIP and of its Quad core testifies to that. Japan has in fact benefitted from a more forceful, deterrence-prone China policy.

As the article has shown, there is little evidence to show that the logic of deterrence and coercion has been complemented by meaningful détente however premised on political concessions and grand bargain. China’s previous tactical, if short-lived, acceptance of the FOIP allowed Japan to get Southeast Asian states to endorse an ASEAN-centered Indo-Pacific regional vision, and the international criticism of the BRI has led the Chinese leadership to reframe it in terms of “quality infrastructure”, to the extent that Beijing now accepts, at least on paper, the high standards spelt out in the 2019 G-20 summit statements (Ministry of Foreign Affairs of the People’s Republic of China, 2019c). Still, if the calculation in Beijing is that time is indeed on China’s side, Xi will have incentives to make symbolic and rhetorical pledges rather than substantial ones. Japan, on the contrary, may prefer pursuing a more accommodating posture in a future where China looms larger, and these symbolic pledges of cooperation will come in handy.
then. Scholars should not confuse diplomatic propriety for actual policy, such as “hedging” or “order building”. Sino-Japanese relations embodied by the Free and Open Indo-Pacific and the Belt and Road Initiative are best described through a Realist declination of economic statecraft. In light of the security and political spillovers, Japan and like-minded countries have consistently moved to deny China a sphere of influence, while China has actively pursued a sphere of influence in its near abroad. Moreover, China’s geopolitical and geo-economic advancement into the Indo-Pacific seas alarmed regional powers about Beijing’s denial of their own local sphere of influence.

The policy implications are wide-ranging as the US unveils a US-Japan-Australia-centered Blue Dot Network certification system for quality infrastructure projects in the Indo-Pacific. This development bolsters our secondary findings of growing cooperation among Japan and like-minded partners, and confirms that Tokyo has played a quiet leadership role while expanding its strategic horizons. In fact, the Blue Dot Network originates from the Japanese government’s leadership role during the Ise 2016 G-7 and G-20 summits in underlining the importance of “quality infrastructure” in government financing, a script the US government appropriated. Prospective observer states from the G-7 (including the EU) will look closely whether Japanese and, especially, US intentions are overly adversarial vis-à-vis China or whether they are really intended in shaping Chinese behavior.

Further reinforcing the findings of this essay is the unfolding of similar competitive dynamics to deny a Chinese sphere of influence in the Eastern front of the Indo-Pacific, where Japan and like-minded parties followed China’s growing economic and physical presence in the South Pacific Islands with apprehension, with the lingering risk of port facilities aimed at PLAN warships in waters close to Australia (“Soromon Shotō somaru Chūgoku iro,” 2019; “Tokubetsuku kōsō yureru Māsharu Shotō,” 2019). After all, this region has traditionally been Australia’s own sphere of influence. Japan’s pro-activism in the region, featuring the familiar flurry of exchange programmes, capacity building programmes, and economic diplomacy, as well as the first high-level diplomatic tour since 1987, occurred in tune with similar initiatives taken by the U.S., Australia, and New Zealand (Akimoto, 2019). Washington and Canberra, in particular, have recently established new programs designed to enhance infrastructure financing capabilities (Japan Bank for International Cooperation, 2019). In Papua New Guinea, this alignment even resulted in a direct collaboration, as Tokyo participated in joint infrastructure projects sponsored

These examples suggest that the competitive dynamics embedded in FOIP are flourishing, and that its key members are acting, at least at the bilateral and trilateral level, in lockstep on non-traditional security cooperation. Even though capacity-building projects are relatively cheap, coordination among donors and with recipient countries is no small feat. As this essay has made clear, lingering and deeply felt security-based logics constitute powerful drivers behind government financing rivalry in an expanded regional landscape, while overtures and pronouncements in favor of cooperation and complementarity ought to be simply considered good examples of wise diplomacy to bring a modicum of stability to ongoing strategic competition.

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