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RESEARCH ARTICLE

Sino–Japanese third-party market cooperation: asymmetries of economic diplomacy and politico-economic gaps

Muhui Zhang

Department of East Asian Studies, Sungkyunkwan University, Room 10421, 600th Anniversary Memorial Hall, 25-2, Seonggyungwan-ro, Jongno-gu, Seoul 03063, Korea
Email: muhui.zhang@skku.edu

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Abstract

In the wake of the intensifying Sino–Japanese rivalry in Asia, a new third-party market cooperation (TPMC) framework emerged in late 2018. The new mechanism was inaugurated around the time of former Japanese Prime Minister Shinzo Abe's visit to Beijing, displaying new attempts at Sino–Japanese economic diplomacy. Nonetheless, this article highlights the absence of major cooperative outcomes and suggests a pessimistic vision of TPMC's future, as three pairs of politico-economic gaps have led to asymmetries in the approaches adopted by China and Japan. First, a government-to-government policy asymmetry occurred between China's initiatives and Japan's responsiveness, as the latter merely utilized the TPMC as a temporary diplomatic tool to restore bilateral relations in late 2018 and appeared to have lost its policy momentum in the following years. Second, asymmetries in business modes and investment management between the two countries' enterprises have led to technical barriers in materializing the two governments' agreements into specific TPMC business collaboration. This study illustrated a project of Sino–Japanese collaboration in building a high-speed railway in Thailand, and saw this failed case as a warning for existing gaps of commercial modes. Third, both countries are now confronted with domestic underdeveloped public–private partnerships between state and private sectors. This article also aims to provide some policy-oriented implications for steadily implementing the Sino–Japanese TPMC in the future.

Keywords: Asymmetry; economic diplomacy; Sino–Japanese third-party market cooperation

1. Introduction

Recent decades have increasingly witnessed a deterioration of the Sino–Japanese political and economic rivalry over regional leadership in Asia, and southeast Asia has become the main region of Sino–Japanese rivalry. Scholarly studies have addressed Sino–Japanese rivalry from two main perspectives. First, an interest-based approach indicates Japan's containing strategy against China's rise. This has led to all-dimensional Sino–Japanese competition in diplomatic initiatives and economic statecraft, reflected in development financing and infrastructure construction (Yoshimatsu, 2018; Zhao, 2019). However, Japan has found itself in a disadvantageous position, as the two countries remain in unequal and diverse positions regarding their national powers and capacity, resulting in a scenario of 'asymmetric rivalry' between the two (Schulze and Blechinger-Talcott, 2019). Although Japan perceives China as a strategic rival, China does not; instead, China targets the USA as an equal rival. Second, by searching for quality-based infrastructure and embracing the Free and Open Indo-Pacific (FOIP), Japan has increasingly advocated for value-based economic diplomacy (Satake and Sahashi, 2021; Yoshimatsu, 2023). Fuelled by the US–China tension, Japan's ideational approach to economic diplomacy contrasts with China's interest-based pragmatism (Ryo, 2020).

Nonetheless, amid the intensifying rivalry, a third-party market cooperation (TPMC) mechanism was inaugurated in 2018. This concept was initially proposed in China. Inspired by the Belt and Road Initiative (BRI), Chinese businesses have deepened their involvement in a global landscape with the special advantage of industrial production capacity. Against this backdrop, China proposed the TPMC concept to Japan, referring to 'economic cooperation between the two countries' business and financial sectors in a third-party market with the spirit of open and inclusive approach' (CNDRC, 2019). In 2018, there were mutual visits among political leaders, including the Chinese Premier Li Keqiang's visit to Tokyo in May and Abe's state visit to China in October. In both cases, the TPMC was portrayed as a diplomatic breakthrough for Sino–Japanese relations. After careful preparation, the first TPMC forum was officially launched as a major side event of former Japanese Prime Minister Abe's state visit to China in October 2018. At the end, 52 memoranda of understanding (MOUs) were signed between the two sides during the forum, in which the two governments jointly formulated two scenarios of financial and industrial supply chain cooperation in third-party countries (see the Appendix). The inauguration of the TPMC signifies a new attempt at Sino–Japanese economic diplomacy, which aims to reduce vicious competition between the two countries and facilitate mutual business collaboration between private sectors in emerging economies.

Despite a high-profile debut and straight political guidance in late 2018, the sustainability and operability of the TPMC remained untested. The first telling setback for the TPMC came with the failure of a Sino–Japanese joint bid for the high-speed railway (HSR) in Thailand's eastern economic corridor (EEC) in 2018. Thailand had become the first Association of Southeast Asian Nations (ASEAN) country that has exhibited a welcoming attitude towards Sino–Japanese collaborations and joint explorations for TPMC projects. Thailand was deeply concerned that the Sino–Japanese rivalry could negatively affect industrial development in the EEC, leading to duplicated construction and varying standards on industrial production, operation management, as well as post-construction maintenance. Despite both the Chinese and Japanese governments' eagerness to source this HSR flagship project for TPMC promotion in 2018, the Japanese enterprises made a last-minute withdrawal from the consortium, showing that it was never an easy task to work out operational TPMC commercial modes with win–win effects. Finally, the HSR project was removed from the list of 52 MOUs in late 2018.

Moreover, the enthusiasm about the TPMC was quickly silenced in the following years. The global pandemic also acted as a critical and unexpected exogenous event leading to the cancellation of summit meeting plans and other diplomatic agendas between the two countries. To a large extent, the TPMC halted at the ambiguous conceptual stage and has not proceeded to the implementation stage. A Chinese official from the Ministry of Commerce admitted, 'Despite a government-led high-profile debut, it is still largely unknown whether these MOUs can be materialized into concrete cooperative projects. China's TPMC projects with Japan remain largely underdeveloped compared with those with European countries and South Korea'.[1]

There is a dearth of existing literature that has systematically examined the performance of the emerging TPMC and its impacts on Sino–Japanese economic diplomacy. The limited scholarly studies available can be divided into two conflicting claims. Optimists have mainly built up analyses upon the high-profile diplomatic debut of the TPMC in 2018 and cited the nascent TPMC as new potentials for the development of the Sino–Japanese relationship (Gong, 2019; Umirdinov, 2019; Wallace, 2019; Yamamoto, 2020). In witness of the rising attempts on Sino–Japanese economic diplomacy, some literature tends to question the pattern of rivalry and highlights cooperative scenarios between the two countries' strategic expansions in the remaining Asian countries (Murashkin, 2018; Yamamoto, 2020; Suzuki, 2022). This article, however, critically re-evaluates such claims, as optimism towards the TPMC has not been tested by specific case studies or model projects. On the contrary, scepticism about outputs of the TPMC addresses the gaps in political objectives and economic statecraft between

[1]Anonymous interview with a Chinese official from the Ministry of Commerce, 8 April 2021.

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China and Japan (Eto, 2021; Yoshimatsu, 2023). Insisa and Pugliese (2022) consider the TPMC as a vague political show that serves only to improve the atmosphere of Sino–Japanese relations and temper the two countries' public opinions. Notwithstanding rising scholarly discussions to explain the underdevelopment of the Sino–Japanese TPMC, existing literature has merely focused on state actors regarding their strategic goals and narratives. In contrast, the pursuits of commercial actors in both countries, together with their interactions with national governments have been largely overlooked. In this regard, the analytical weakness of existing studies lies in the overemphasis on the inter-government agreements while neglecting whether the two countries enterprises have responded to government appeals in positive ways and proceeded with detailed business plans on joint investment in third-party market countries.

This study examines the effectiveness of Sino–Japanese TPMC and investigates the extent to which it may mitigate the escalating Sino–Japanese rivalry. Two sets of research questions are addressed. First, how have China and Japan responded to the emerging TPMC mechanism; and second, despite the shared agreements between China and Japan regarding the facilitation of TPMC, what factors have hindered the progress of its implementation and led to its downfall as an unrealistic vision.

This research contributes to the existing literature on this topic in two aspects. First, this study brings an analytical framework where the performance of the TPMC is theoretically examined. This paper sees the TPMC as a multifaceted process of economic diplomacy, and hypothesizes that TPMC projects had demanded the proactive involvement of both government and private sectors, as well as the functioning of public–private partnerships (PPPs) between the two. This paper argues that the two countries' state and non-state actors now remain in asymmetric positions regarding their capacity, intention, and approaches towards the Sino–Japanese TPMC. Second, existing studies on Sino–Japanese economic diplomacy overemphasize the geopolitical aspects and national strategies regarding the TPMC, and fail to consider the roles of private sectors. To this end, this study contributes to existing literature by looking at the motives and concerns of the private sectors, and investigates a case study of the HSR project in Thailand, which has been seen as a pilot area to examine whether the two countries are 'sincerely marketing TPMC or it is just another futile attempt' (Umirdinov, 2019: 1).

The Sino–Japanese TPMC remains an unexplored academic topic in English-based literature. This research collects primary data from China and Japan's government ministries, media agencies, private sectors, and leading business associations that produce economy and industry-related analysis reports. In addition, face-to-face interviews were conducted with scholars and officials regarding the drivers and concerns of the Sino–Japanese TPMC. This article is organized into five sections. Section 2 builds an analytical framework and explores necessary factors that could help lead to effective economic diplomacy. Sections 3 and 4 provide explanations for the freezing of the Sino–Japanese TPMC. While Section 3 highlights the policy interactions between China and Japan and identifies asymmetric policy inputs at the government-to-government level, Section 4 examines the responses and choices of the private sector and investigates the asymmetry of business modes between China's and Japan's enterprises. Section 5 examines the problematic government-to-business relations in China and Japan, respectively. The last section concludes this article with a policy-oriented discussion.

2. Towards well-established economic diplomacy: a three-layered analysis of TPMC

Economic diplomacy can be broadly defined as 'the intentional attempt of the state to incentivize commercial actors to act in a manner that generates security externalities that are conducive to the state's strategic interests' (Norris, 2016: 14). Thus, economic diplomacy is a practice of using economic tools to achieve foreign policy objectives. Literature on international relations and international political economy has widely highlighted a combined nature of economic diplomacy, which can 'involve the application and interplay of multiple instruments – military, economic, diplomatic, and informational – to achieve the multiple objects of states, including national security, economic prosperity, and political prestige and influence' (Mastanduno, 1998: 826).

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Early scholarships on economic diplomacy tended to undertake a state-centric approach, and focused on political rather than economic and commercial factors (Baldwin, 1985; Bull, 1995). According to these studies, political goals drive economic diplomacy, so that businesses can benefit from increased access to foreign markets and improved trade relations. By focusing primarily on states and governments as units of analysis, these research approaches paid less attention to the interests and pursuits of commercial sectors. More recent literature, on the contrary, has started adopting to see economic diplomacy as formulated by both the 'power play-end' and the 'business-end', and thus suggests that both political and business perspectives are critical to understanding the dynamics of economic diplomacy (Okano-Heijmans, 2013). By seeing the private sector as an independent entity, these new approaches distinguish the self-interest of private sectors from that of state actors, and argue that the latter tend to make decisions based on cost–benefit calculations following a commercial, rather than political-diplomatic logic.

Following this analytical framework, this research explores the multifaceted nature of Sino–Japanese economic diplomacy in a third country, and states that the well-functioning of Sino–Japanese TPMC needs to be built upon three preconditions. First, this study assumes that the government sector is still the primary player in economic diplomacy and that state actors use various instruments to attain politico-diplomatic goals, such as trade or investment negotiations, sanctions, and other economic incentives. Thus, the analysis of Sino–Japanese TPMC should be initially examined through the lenses of international relations. The primary aim of economic diplomacy is foreign policy, and governments formulate and pursue workable economic diplomacy with the aim of advancing economic prosperity and national interests (Okano-Heijmans, 2013). The inauguration of the TPMC was originally a politics-driven process built upon the diplomatic consensus between the two governments, rather than a private initiative driven by spontaneous business motivations following a bottom-up manner. Strong political wills were conveyed through summit meetings between China and Japan in 2018, which largely accelerated the following preparation process of TPMC and paved the way for the inauguration ceremony of the first TPMC forum alongside Abe's visit to Beijing.

Second, the policymaking of international economic diplomacy is eventually carried out by private sectors, and thus the commercial interests of enterprises cannot be overlooked. With the tide of globalization, multilateral corporations have grown into an increasingly independent force that affects international political and economic orders. Consequent to the globalization of production and markets, corporations' business activities have become highly transnational, and their commercial interests no longer equate with one individual state's national interests. Emerging studies have proposed new paradigms of business-oriented approaches in the study of economic diplomacy (Saner *et al.*, 2000; Bayne and Woolcock, 2016). Private sectors, acting on their own interests, engage in various forms of business activities. Thus, they are willing to implement what has been formulated by the government only if certain commercial objectives can be achieved, such as trade and investment benefits. The Chinese economy retains a strong tendency of government control, and even privately owned firms are eager to align their business interests with the government. On the contrary, Japan's previously tight government–business ties have gradually loosened since the 1990s (Arase, 1994). Japan's private sectors act in a profit-driven manner and do not have to blindly follow government instructions. The relations between state and non-state actors now are more self-interested, and both act in a relatively independent and reciprocal way to maximize their individual interests (Yoshimatsu, 1997). Nonetheless, comprehensive analysis of private sectors' preferences covering the Sino–Japanese TPMC is still missing.

Third and last, state control of private sectors is not an automatic process, and states are not always able to mobilize the commercial sectors to follow their guidelines (Norris, 2016). For this reason, an interactive and mutually beneficial partnership between state and private actors can help align the national interests with individual enterprises' commercial interests, and is thus deemed vital for the effective practices of economic diplomacy. Well-developed government-to-business ties allow governments to tap into the expertise, resources, and capabilities of private sector, and meanwhile contribute to incentivizing private companies to invest in the targeted region. This perspective is readily applicable to China's and Japan's competing economic expansion in southeast Asia. In China, state-owned enterprises (SOEs) are the leading forces for overseas infrastructure projects and carry out the political task of globalizing the BRI. Meanwhile, Japan has come forward with more PPP measures with private firms in recent years, such as the provision of subsidies, financial loans, and insurance services. Both countries have adopted each other's practices of tied commercial finance and heavy government involvement in southeast Asia, and are in desperate need to build institutionalized government-business partnerships (Yoshimatsu, 2017; Jiang, 2019).

3. Government-to-government asymmetries and Sino–Japanese strategic variations

3.1 China's proactiveness and initiatives

In recent years, China has taken strong initiatives in constructing TPMC networks with developed economies, which can work as a complementary framework for its BRI strategy and show China's willingness to engage in a reciprocal manner with other developed countries. There appears to be a clear division of labour between the two strategies; China wishes to align its outstanding industrial and manufacturing productivity with advanced technologies of developed countries using TPMC and provide infrastructure products and other public goods to developing countries using the BRI. Meanwhile, China has also clearly realized the current prevailing scepticism of the BRI from Western developed countries. In this context, China has displayed full diplomatic tactics and purposefully avoided mentioning BRI cooperation in official discourse. Instead, China has selected the neutral 'third-party market', as this relatively ambiguous term can bear less political-diplomatic sensitivity and thus eliminate external anxieties over China's geopolitical expansions.

In recent years, China has been striving to build proactive global TPMC networks. Ever since the first TPMC partner with France in 2015, China has already signed 14 TPMC agreements with leading developed countries (such as the UK, South Korea, Italy, Germany, and Japan) (Xinhua News Agency, 2019). In 2019, the Chinese government published the 'Third-party Market Cooperation Guidelines and Cases', declaring that the TPMC frameworks 'achieves the effect of $1 + 1 + 1 > 3$' (CNDRC, 2019). In the case of Sino–Japanese TPMC, China offered a flexible and pragmatic approach and took full consideration of Japan's comfort, as a result of which the terminology of the TPMC is more neutral than what Chinese media often bluntly refers to as Japan's 'participation in the BRI initiative' (Umirdinov, 2019; Bi and Qu, 2020). Thus, China had no intention to push Japan to deviate from US-centred national strategies and understood Japan's remaining anxiety in engaging with China's BRI. China offered a business and enterprise-oriented approach to Japan and called for flexible participations of the two governments, and especially tried to delink the TPMC from existing bilateral diplomatic confrontations.

For China's policymakers, partnerships with Japan comprise a key component of China's global TPMC strategies. China's eagerness to pursue the TPMC with Japan can be explained by three factors. First, under the shadow of US–China tension, the incorporation of Japan into its global TPMC framework has strategic significance, China softened its diplomatic postures with neighbouring countries which have been US allies since 2018. Thus, China endeavoured to win support from Japan or at least persuade Japan to be positioned in a neutral place between China and the USA (Kim and Zhang, 2021). In May 2019, the Japan–China Economic Association (JCEA), a business association known for its pro-China stance, organized a visit to China with the participation of Japan's major business groups. During the visit, China's Minister of Commerce Zhong Shan expressed that the Sino–Japanese TPMC could help ease the US–China trade tension (JCEA, 2019b).

Second, the building of TPMC partnerships can contribute to China's ongoing BRI reforms. In response to the suspicions and misinterpretations of recipient countries, a search for quality-based infrastructure and higher industrial and economic standards appear to be the direction of the BRI in its new phase. China's massive infrastructure investments and loans in southeast Asia make a typical case in which China has fallen into a 'winner's curse' concerning its escalating rivalry with Japan. This suggests that ASEAN countries have been taking advantage of the Sino–Japanese rivalry, and therefore

China has been compromising and accommodating ASEAN's demanding business terms in price, local government subsidies, and fiscal guarantees. As a result, China's rivalry with Japan turns out to be expensive and financially burdensome (Sako, 2019b). Recent research has highlighted that the Chinese government has been more cost-conscious in overseas BRI projects and domestic economic growth since 2019 (Wang and Ni, 2019; Onishi, 2020). China has announced several new action plans, including the Guiding Opinions on Promoting the Construction of the Green BRI, the BRI Ecological and Environmental Protection Cooperation Plan to address the issue of green development, and a Debt Sustainability Analysis Framework to resolve debt issues. China has also begun to transform its previous China-centred approach, calling for enhanced synergies with BRI target countries and third-party countries (Zhang, 2019a, 2019b; Advisory Council of the BRI Forum, 2021). In this context, China views TPMC with Japan as a pilot programme for its quality-based BRI transitions.

Third, China also found tangible economic benefits from increasingly encouraging Japan towards TPMC. A notable feature of the Sino–Japanese TPMC is that, it mainly concentrates on southeast Asia, which is still in the early stages of industrialization and has huge demands for infrastructure construction. A survey targeted at China's overseas investment shows that ASEAN countries are ranked at the top for China's outflow investment among all other regions where BRI covers (Hong Kong Trade Development Council, 2016). Thus, at the current stage, the Chinese government has prioritized the Sino–Japanese TPMC in southeast Asia in two tracks: infrastructure constructions by SOEs and private firms' supply chain collaboration with Japan-built industrial zones (JCEA, 2019b: 15). However, China's massive projection of BRI infrastructure projects and commercial investments in southeast Asia has not brought about the improvement of China's national image. On the contrary, China has been widely accused of causing debt crises in local economies, leading to a surge of distrust against China's BRI. The survey report from the ISEAS-Yusof Ishak Institute indicates that 45% of the respondents in ASEAN countries think that 'China will become a revisionist power with an intent to turn Southeast Asia into its sphere of influence'. In the meantime, only 19% of the respondents have confidence that China will 'do the right thing' in contributing to global peace and prosperity, while the percentage goes up to 66% in perceiving the role of Japan's global contribution (ISEAS-Yusof Ishak Institute, 2019).

In this context, business collaboration with Japan appears to be a 'reluctant but a must-have' option. China's primary purpose in harnessing the power of the TPMC with Japan is to ameliorate the reputation of China's overseas investment and silence local criticism of the BRI's lack of openness and transparency. One recent case in progress is an agreement between Japan's Sumitomo Corporation and the Indonesian power company Kayan Hydro Energy (KHE), which is affiliated with China's state-owned PowerChina, to develop a hydroelectric power station in Borneo, Indonesia. Despite PowerChina reaching an agreement with KHE in early 2018 regarding the provision of USD 17 billion to finance the infrastructure, the project has been delayed for a long time due to COVID-19 and local resistance that China-funded projects would destroy the local forests and environment. In late 2022, the deal was updated between the KHE and Sumitomo. Sumitomo will help develop the project through investment and technology transfer, and PowerChina will take charge of the engineering, procurement, and construction (EPC) part of the project. In this regard, the Indonesian government's recent welcoming of Japanese business groups has been widely interpreted as the intention to reduce economic and financial dependence on China's BRI (Nikkei Shimbun, 2022). Furthermore, China's embracing of Sino–Japanese TPMC in hydroelectric power station can be understood as its adoption of higher standards of infrastructure projects and increasingly open attitudes towards other international players so that other Chinese–Indonesian joint ventures in Indonesia can partner with more Japanese manufacturers.

3.2 Japan: policy inconsistencies and diplomatic manoeuvering

Japan's support to the Sino–Japanese TPMC appears to be fleeting and inconsistent. In comparison with China's top-down strategic policy input and initiatives regarding TPMC frameworks, Japan's endorsement of the Sino–Japanese TPMC appears to be a matter of expediency, given the rising trade pressures from the USA and the diplomatic necessity of restoring Sino–Japanese relations.

Previously, Japan chose to distance itself from China and adopted the pattern of institutional balancing in response to China's global expansion through the BRI (McDougall, 2012; Hughes, 2016). Japan reluctantly engaged with the BRI and announced its plan of infrastructure competition with China using FOIP. The turning point for the rapprochement of Sino–Japanese relations occurred in 2017. Former Japanese Prime Minister Abe gave a speech at the Banquet of the 23rd International Conference on the Future of Asia in June 2017, in which he raised 'openness', 'transparency', 'economic viability', and 'financial accountability' (hereafter referred to as the 'Four Standards') as preconditions for Japan's cooperation with the BRI. In this regard, Japan embracing the BRI paved the way for the two countries' subsequent policy discussions regarding the initiation of the TPMC.

Scholars have identified two factors that explain Japan's policy shift. First, it dates back to the restoration of bilateral relationships in late 2017. When Chinese President Xi Jinping began his second presidential tenure and the Liberal Democratic Party (LDP) of Japan secured a majority in the Lower House election in 2017, both countries had finished domestic political restructuring, leading to delicate timing for bilateral diplomatic breakthroughs (Eto, 2019). Consequently, during the Asia-Pacific Economic Cooperation (APEC) summit in late 2017, Chinese President Xi and the former Japanese Prime Minister Abe held a brief meeting, and China proposed the idea of the TPMC to Japan for the first time (Nikkei Shimbun, 2017a). Second, former US President Trump's launch of trade conflicts against China and Japan was an external factor that pushed the two countries closer together. During Trump's presidency, Washington imposed tariffs on Japan by charging a 25% levy on steel and aluminum imports, and threatened to do the same with its cars and auto parts in 2018. Tokyo was eager to prevent any damage to its export-oriented economy and thus turned to seek economic back-up options from China. Meanwhile, Japan's concern about Trump's protectionist trade policy concurred with China's position, which had also been suffering from an economic slowdown due to the escalating trade war with the USA. As a result, Beijing and Tokyo decided to resurrect their damaged relations (The Guardian, 2018; Kim and Zhang, 2021; Tian and Lu, 2022). The TPMC was portrayed as a diplomatic breakthrough for Sino–Japanese relations and a mutually beneficial tactic against President Trump's hardline trade policies (Nikkei Shimbun, 2017b).

In subsequent months, the Japanese government began to consider the TPMC as a feasible policy option and launched numerous policy research initiatives with the participation of domestic private sectors and various business associations. Existing studies have also highlighted two pro-China political figures, the former LDP secretary general, Toshihiro Nikai, and the former senior policy advisor from the Ministry of Economy, Trade, and Industry (METI), Takaya Imai, who were both former Japanese Prime Minister Abe's most trusted advisors and who have contributed to the rapprochement of Sino–Japanese relations (Tsukioka, 2018; Yamamoto, 2020). In May 2017, Nikai, as a senior LDP politician, led the Japanese delegation to participate in a BRI forum in Beijing. Imai represented the voices of members of the METI, which pursues economically driven foreign policymaking with China, and had urged Abe to respond to China's proposal of the TPMC in a positive manner. Although Japan was unwilling to engage in the BRI directly, it also saw the huge market potential in developing countries stimulated by the BRI-related massive investment and infrastructure boom. Japan began to see TPMC as a policy alternative to direct engagement with the BRI, given the high domestic audience costs. In November 2017, the Japanese *kantei* (the prime minister's office) worked with various ministries and selected three fields as priorities for the Sino–Japanese TPMC: renewable energy and environmental protection, industrial cooperation in Thailand's EEC, and logistics cooperation using the China–Europe Railway Express (Eto, 2019; Fukunaga, 2019).

Nonetheless, one can hardly claim that Japan's policy input in the Sino–Japanese TPMC is strategic, as there is a stark disparity between China's initiatives and Japan's caution. Scholars have argued that Japan's high-profile promotion of the TPMC in 2018 appears to be merely a temporary and rhetorical gesture, as Japan intended to deliver the Sino–Japanese TPMC as a gift to create a benign political climate for the Abe–Xi summit meeting, given that direct state visits by two countries' leaders

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had not been realized since 2012 (Zhu, 2019; Insisa and Pugliese, 2022). In this regard, Japan's interest towards the Sino–Japanese TPMC is a temporary gesture, wherein it sought to manoeuver the TPMC for diplomatic purposes, rather than true intentions for deeper participation in the China-led BRI. Japan's strategic interests in the TPMC have quickly faded after the Abe–Xi summit meeting in late 2018. This article provides three perspectives for explaining Japan's strategic indifference towards the Sino–Japanese TPMC and its loss of momentum for advancing bilateral agreements into tangible actions.

First, the TPMC with China was never a prioritized agenda for the Japanese government, given the ideational variations between China's geo-economic expansionism with the BRI and Japan's search for quality-based infrastructure projects. In 2015, Japan announced the Partnership for Quality Infrastructure and employed the 'Four Standards' for providing capital and technological support for infrastructure building in developing economies. Japan's TPMC with China was never a unique and independent mechanism, but rather a part of its FOIP-based economic statecraft that was subordinated to its global economic diplomacy. Japan upheld the 'Four Standards' as a norm of TPMC with not only China, but also with other TPMC partners such as the USA, India, Australia, and the European Union (EU) (METI, 2019). Prior to the inauguration of Sino–Japanese TPMC, Japan adhered to the 'Four Standards' as an entrance requirement and held expectations that the adoption of quality-based standards could help mobilize China to follow international rules and norms (Eto, 2019; Satake and Sahashi, 2021). China was initially reluctant to embrace Japan's proposal, yet eventually compromised by incorporating the 'Four Standards' as a basis of cooperation with Japan in 2018 (Yoshimatsu, 2023). This led to government-to-government asymmetry, in which China preferred a purely pragmatic approach with Japan, while Japan adhered to the value-based principle and has never viewed China as a unique and irreplaceable TPMC partner (Saito, 2019).

Second, the unstable environment of Sino–Japanese relations in recent years appears to be unfavourable for Sino–Japanese TPMC. According to the two countries' initial agenda in 2019, a second TPMC forum was planned to be convened on the occasion of Chinese President Xi's visit to Japan. The two governments were supposed to review past outcomes and facilitate the participation of more private sectors (Nikkei Shimbun, 2019). However, the absence of leaders' mutual visits since 2018 has led to the suspension of the TPMC, and there appears to be no clear schedules for follow-up measures on the TPMC so far. In the following years, the instability of bilateral relations has particularly taken the form of Japan's negative perception of China. A public opinion survey shows that anti-China sentiments have surged in Japan since 2018. The percentage of respondents in Japan who held a negative view of Sino–Japanese relations soared from 39% in 2018 to 54% in 2021 (Genron NPO, 2021). The survey indicates that this animosity towards China does not merely originate from conventional territorial disputes, but also rising concerns about China's assertive foreign policies that have increasingly challenged global rules and order.

Third, the subsequent Suga and Kishida administrations have made empty gestures in terms of continuing cooperation with China. Abe's resignation, together with the retirement of two pro-China pillars, Toshihiro Nikai and Takaya Imai, lent further uncertainty to the Sino–Japanese TPMC. Despite a general image of assertiveness in foreign policymaking, Abe's China policy evolved into pragmatic and flexible engagement diplomacy with China in his final 3 years. Abe's cautious welcome of Sino–Japanese TPMC stemmed from Trump's unilateral trade demands on Japan. However, ever since escalating US–China tensions, the Biden administration sought rapprochement of US–Japan ties and agreed to cut Trump-era steel tariffs. Therefore, Japanese leaders in the post-Abe period have seemingly lost their motivation to build TPMC networks with China.

Unlike Abe's 'realistic' posture, the Kishida administration has deviated from Japan's traditional approach of 'pursuing economic benefits from China and security cooperation with the United States simultaneously' to a rapid strategic distancing from China. For instance, Japan's METI is known for its pragmatism towards economic cooperation with China. METI proposed policy suggestions for Sino–Japanese TPMC in technological innovations, green environments, and sustainable energy fields in its *White Paper on International Economy and Trade 2020* (METI, 2020). However, the Sino–Japanese TPMC disappeared as a keyword in the 2021 and 2022 versions. Instead, Japan plays a vital role in the US-led multilateral regimes aimed at countering China's economic influence in East Asia. When the USA unveiled the new Indo-Pacific Economic Framework and the Chip-4 alliance 2022, Japan responded in a timely and proactive manner with the purpose of reducing its supply chain dependence on China. Notably, the Kishida–Xi bilateral summit during APEC 2022 did not cover the agenda of the TPMC. At the short summit meeting, Kishida merely proposed a 'constructive and stable Japan–China relationship' to China (JMOFA, 2022). Such a cold choice of diplomatic terminology appears to be a large downgrade compared with Abe's calling for a 'mutually beneficial relationship' during his visit to Beijing in 2018.

4. Business-to-business asymmetries and non-compatible business modes

4.1 Pursuits of private sectors and divergence of interests

Similar to the government-to-government asymmetry between China's proactive partnership seeking and Japan's lingering policy uncertainty, this study establishes an identical scenario between the two countries' private sectors. An increasing number of Chinese firms, led by SOEs, have ambitiously sought new market entry and infrastructure projects in developing countries. Given China's status as a later-comer and catch-up player, its method of overseas investment bears strong government-backed features, including political guidance and government-provided loans. In contrast, the Japanese private sector has been far more economically calculative for overseas investments, and caution on business management has been specifically extended to infrastructure sectors in developing countries. Despite the TPMC envisioning an idealistic vision of a business win–win situation between China and Japan's private sectors with respective advantages, it has been confronted with numerous practical challenges in the real stages of implementation.

China's enterprises have displayed strong initiatives for Sino–Japanese TPMC; such proactiveness can be found in both state-owned and private firms. In the former case, China's SOEs acted as the main corporate implementers for the Sino–Japanese TPMC. China's SOEs shoulder political initiatives in infrastructure expansion and carry out sample-making for other private firms. Although Chinese SOEs enjoy the merits of EPC capacities, capital abundance, as well as fast decision-making processes, they have insufficient experience in emerging market entry and risk management (see Table 1). Given Japanese enterprises' well-established reputation and business credibility in local areas, Chinese SOE's business alignment with Japanese counterparts also contributes to the improvement of BRI's global reputation.

Meanwhile, China's privately owned firms have also been welcoming towards the Sino–Japanese TPMC and saw the merit of partnering with Japanese enterprises for overseas investment. Under the shadow of US–China tension, part of China's industrial sector has been eager to relocate its manufacturing bases from mainland China to southeast Asia to avoid the elevated tariff rates imposed by the USA on China-produced export goods (Kumagai, 2020). Based on a survey conducted by the Hong Kong Trade Development Council, 83% of Chinese private business groups interested in overseas investment have identified southeast Asia as their primary regional target (Hong Kong Trade Development Council, 2016). Thus, partnership with Japanese firms has become a preferable shortcut for business explorations in developing countries. China's private firms expect to mobilize the Sino–Japanese TPMC to adapt to new business environments and generate greater benefits in two ways. The first is to collaborate with Japan's mega-trading houses and international distributors (such as Mitsubishi, Itochu, and Marubeni corporations), who have solid connections with financial resources and rich experience in helping private firms substantially reduce overseas investment costs (JCEA, 2019a; Japan Foreign Trade Council, 2021). The second is to align with Japanese enterprises that lie in full-blown supply chains and industrial parks in southeast Asia.

In contrast, the responses of the Japanese private sector appear far more complicated. In general, the concept of the Sino–Japanese TPMC appears to be appealing to Japanese private sectors. A recent Japan Bank for International Cooperation (JBIC) survey shows that nearly one-third of Japanese firms

Table 1. Advantages and disadvantages of business sectors (China versus Japan)

	Japan	China
Advantages	• Technology and global supply chains • Risk management • Reputation and credibility • Overseas investment experience	• Industrial production capacity • Fast decision-making • Government connections • Capital abundance
Disadvantages	• High operation costs • Slow decision-makings • Low risk-taking ability	• Risk management • Lack of overseas investment experience • Poor credibility

Source: Compiled by the author.

with overseas investment are currently operating under various formats of industrial cooperation and supply chain connections with US, European, Chinese, and Indian business counterparts. At present, southeast Asia appears to be the region where Japanese firms have displayed the most dynamic participation in such practices. A further look at the survey also suggests that Chinese firms are preferable TPMC partners for Japanese enterprises in southeast Asia, as the number of industrial cooperation cases with Chinese firms has exceeded those with US and European firms combined (Japan Bank for International Cooperation, 2021). From Japan's perspective, the abundance of funding and EPC capacity are two primary merits of its Chinese counterparts, for which Japanese business groups would like to collaborate. The Japanese private sector lacks the capacity to financially afford large infrastructure projects, and joint financing with Chinese partners can help ease their concerns. At the 39th Infrastructure Strategic Conference convened by the Japan's *kantei*, the funding problem was addressed by business groups, for which collaboration with China in third-party markets was suggested as one solution. Furthermore, considering China's outstanding infrastructure construction capacity with price advantages, many of Japanese overseas investors also desire to outsource the EPC component to Chinese business counterparts.

However, despite this idyllic vision, the Japanese private sector remains highly sceptical of the feasibility of the Sino–Japanese TPMC in practice for two reasons. First and foremost, the emergence of Chinese business groups has brought about not only opportunities for business collaborations but also rising rivalries in third-party markets. Thus, a clear sector-based divergence can be found among Japanese business groups. The case of Thailand is a scenario of the coexistence of both winner and loser groups once the Sino–Japanese TPMC deepens. Mutual industrial complementarity between China's and Japan's firms exists in the telecommunication and infrastructure sectors. However, competition is very likely to be worsened in automobile industries, as China's recent development and innovations in electric vehicles may challenge Japan's traditional fossil fuel-based manufacturing capacity (Kumagai, 2020).

Second, and more importantly, lingering barriers that may discourage the Japanese private sector lie in the technical issues of compatibility between the two countries' business modes. As a result, China's overseas investments appear to be closely connected to state interests, and profitability is not always the only target for overseas business investment. China's SOEs appear to be more efficient in decision-making and enjoy the natural advantages of funding abundance provided by state bank loans, so that China's business mode features characteristics of fast business decisions for project contracting and flexible adjustment of business plans (Sako, 2019a). This has, for instance, contributed to China's winning of Indonesia's Jakarta–Bandung HSR project against Japan in 2015, but has also led to a delay in construction and cost overruns in recent years. In addition, many recent studies have also pointed out that China's enterprises' poor performance in corporate financing has trapped the BRI recipient country into debt crises and a mercantilist-style investment that does not share benefits with local people (Mattlin and Nojonen, 2015; Wallace, 2019). Despite the Chinese government endeavouring to call for quality-based BRI and TPMC in recent years, it remains far insufficient to completely ease concerns from Japan's private sectors. In contrast, Japanese enterprises have displayed different business models in developing economies, known as specific feasibility studies, profitability calculations, and risk controls (Sako, 2019a).

Such caution from Japan's business groups can be observed in various sectors. Before the inauguration of the Sino–Japanese TPMC, Japanese business groups conducted several business environment investigations and expressed concerns about potential business risks. During the 11th Japan–China Energy Conservation and Environment Forum hosted in December 2017, the Mizuho Group, one of the Japan's leading financial groups, delivered a business proposal and illustrated various risks such as domestic political uncertainties, environmental obligations, foreign exchange rates, sustainability of banking loans, financial accountability, land acquisition, and legal terms on compensation. To avoid these potential losses, the Mizuho group called for private sectors to respond to the TPMC upon requiring a third-party government's fiscal subsidies, debt guarantees, as well as clear contract terms and legal duties in case of possible scenarios of project delay or cost overruns (Mizuho Group, 2017). At the first Sino–Japanese TPMC forum in 2018, Japanese participants were eager to know 'existing sample cases of Sino–Japanese TPMC' and 'China's business models in overseas investments', as well as 'what do Chinese business groups need from Japanese counterparts' (JBIC, 2019). In the following years, caution has been further deepened when observing various setbacks in China-led BRI infrastructure, including the suspension of the East Coast Rail Line in Malaysia in 2018, a cut in BRI-related loans in Pakistan in 2018, and the long-standing delay and cost overruns of the Jakarta–Bandung HSR in Indonesia (Sako, 2019b; Inada, 2022). Another significant example comes from the Marubeni Corporation, one of the largest Japanese trading houses. At a TPMC business exchange conference in December 2019, the Marubeni Corporation called for a 'clear statement of legal rights and obligations in written forms' regarding possible problems in Sino–Japanese TPMC collaboration and highlighted 'the necessity of business contract compliance' (Belt and Road Portal, 2019).

4.2 Case studies: the cancellation of joint HSR project in Thailand and logistics cooperation via China–Eurasia Railway Express

The failure of the Sino–Japanese joint bid for the HSR in Thailand provides a persuading case of business-to-business asymmetry between China and Japan. Notably, Thailand has exhibited a welcoming attitude towards Sino–Japanese collaborations and joint explorations for TPMC projects. It is keen on China's infrastructure investment and construction capacity, and hopes to obtain advanced technology and project management skills from Japan, both of which could contribute to Thailand's progress of industrialization and modernization (Umirdinov, 2019). Initially, a China–Japan–Thailand three-party business consortium and joint bid were supported by the Chinese and Japanese governments in 2018 with political-diplomatic considerations. Both sides had intended to promote this collaboration project as an evidence for closer Sino–Japanese economic ties prior to Abe's visit to China (Nikkei Shimbun, 2018a). In 2018, 'Development Cooperation in the EEC' was arranged as one session at the first Sino–Japanese TPMC forum, which specifically discussed two key projects: industrial zones/smart cities and the construction of a 220 km HSR connecting downtown Bangkok with the U-Tapao Airport in the southeastern coast (Figure 1).

Despite the media spotlight and high expectations from all three parties, the Sino–Japanese business collaboration in Thailand has been stalled in recent years. Although China and Japan's private sectors agreed to collaborate on smart city development in the EEC's Amata Industrial Zone at the first TPMC forum, a recent study indicates that the smart city development plan has reached a standstill because of Thailand's political instability and the global COVID-19 pandemic (Eto, 2021). More importantly, the EEC HSR project also wound up being a disappointing failure. According to the Action Plan on transport infrastructure announced by Thailand's Ministry of Transport in 2017, the HSR project was designed as one of the landmark infrastructure projects in Thailand's EEC. Thailand was also hoping to experience a three-party collaboration in this railway construction (Nikkei Shimbun, 2018b), as previous industrial standards between China-financed Sino–Thai railway

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Figure 1. Thailand's EEC and the planning for high-speed rails.

(as part of the Pan-Asia railway) and Japan-financed Bangkok–Chiang Mai railway have created technical difficulties for railway connections in Thailand (Sako, 2019a). However, the Thai government was reluctant to finance the project solely through government funding and did not wish to bear a heavy financial burden for HSR construction. Therefore, Thailand announced that the government would merely cover 20% of the overall investment, while the rest of the budget would come from other ways including mainly SOE borrowings and PPP (Fujita Corporation *et al.*, 2017). In this context, the Thai government welcomed investments from foreign enterprises.

In July 2018, more than 30 companies declared their initial interest in the project bidding. Early prior to the real bidding, a tripartite consortium including business groups from China, Japan, and Thailand had been the most favoured. This consortium pointed to the Charoen Pokphand (CP) Group's partnership building with China's Railway Construction and Japan's Itochu Group (together with the Hitachi Group as the main vehicle supplier), both of which had various other investments in manufacturing and industrial sectors in Thailand. However, China's SOEs and Japan's private enterprises displayed huge divergence in business plans and preferences in the subsequent stages of business decisions. China's SOEs implement the national BRI strategy and can better endure short-term profit losses. This made it easier for China's SOEs to accommodate the business terms offered by the Thai government. In contrast, Japanese private groups make decisions far more cautiously and are much less vulnerable to business risks. Prior to the joint bid in 2018, a feasibility and consulting report was prepared by Japan's private sectors and then submitted to METI, suggesting that invisible long-term profitability and political risks were the two main challenges. The report conveyed a rather pessimistic view of the participation of the Japanese private sector as a main investor, and suggested a reduction in project cost and improvement in profitability through property development and other non-fare revenues (Fujita Corporation *et al.*, 2017).

In the business negotiations that followed, the concerns of the feasibility report turned into reality. Regarding project profitability, the Japanese private sector found that the U-Tapao Airport would remain a local airport mainly serving tourists travelling to Pataya in a predictable future, so that the extension of HSR rail to U-Tapao Airport may not generate sufficient passenger flow and thus could not provide substantial business benefits (Sako, 2019a). In addition, although the Thai government agreed to cede land development rights along the railway line to investors, Japanese investors remained deeply anxious about the huge construction costs, particularly considering the need for

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massive land acquisition along the HSR construction sites. Therefore, Itochu suggested that the Thai government reduce construction costs, such as minimizing land acquisition and building a quasi-high-speed rail, or providing government subsidies in case of profit insufficiencies. However, the Thai government rejected the offers, and was merely committed to provide some fiscal assistance in land acquisitions and railway maintenances (Asahi Shimbun Globe, 2018). Moreover, the Thai side insisted on the concept of 'high-speed' and aimed to connect the three airports in the EEC within an hour's reach of one another (Nikkei Shimbun, 2018c). In the meantime, the Japanese private sector was also worrisome that the political turbulence and regime transitions in Thailand may paralyse the project construction or even lead to the default in contracts (Kumagai, 2020).

As a result, Japan's Itochu bowed out from the bid proposal in autumn 2018, and the Hitachi Group also quickly followed to withdraw as well, despite widespread expectations from both China and Japan sides that a tripartite bidding consortium can be formed. Eventually, the CP–China Railway Construction team won the bid in a bilateral manner. The Thailand government made such a selection because the CP–China Railway Construction team accommodated its initial development plans and offered an investment package that could significantly reduce the Thai government funding. This case thus sends a warning message to the following practices of Sino–Japanese TPMC that the government-led efforts may not work effectively in encouraging and persuading private sectors for investment collaborations in third-party market countries. It may be easy for China's SOEs to answer the call from the Chinese government towards active enrolment in Sino–Japanese TPMC, whereas the business decisions in Japan's private firms would be much more cautious and independent from government influence.

Another Sino–Japanese TPMC project at risk is Japan's leading logistics firms' use of the China–Eurasia Railway Express for logistics and cargo transportation. Admittedly, the politico-economic implication of this case is not comparable to that of the infrastructure projects in Thailand with national strategic inputs. In 2018, prior to Abe's visit to Beijing, the setback of Thailand's HSR project disrupted the diplomatic agenda of the two governments. In this context, the two governments had no choice but to promote Sino–Japanese logistics cooperation in Eurasia as an alternative hallmark event for the TPMC.

The China–Europe Railway Express is a key logistical component of the BRI and provides an alternative to container shipping for transporting Chinese manufactured goods through Central Asia and finally to Europe. The number of freight trains of the China–Europe Railway Express has grown from less than 20 to more than 15,000 in 2021. In this context, Nippon Express, one of the Japan's largest logistic enterprises, developed the 'Eurasia train direct' service that provides transport between Asia and Europe using the China Railway Express. It also co-hosted a Sino–Japanese TPMC seminar with Japan External Trade Organization (JETRO) on the logistical use of China–Europe Railway Express in 2018 (Nippon Express, 2018). The business interests of Nippon Express are evident in their use of the China–Europe Railway Express, which offers a cost-effective alternative to air cargo transportation and a faster delivery time compared to sea shipping. Nippon Express developed two 'air and rail' and 'sea and rail' routes, which shipped Japanese goods to ports in China via air and maritime transportation, and then to European countries via railways. The routes represent a 60–70% reduction in lead time required for conventional marine transport (Nippon Express, 2021).

Nonetheless, this case of the Sino–Japanese TPMC has also been confronted with various challenges. The spread of COVID-19 and prolonged lockdowns in China have resulted in port congestion between 2020 and 2022. Even before the outbreak of the global pandemic, studies have pointed out the weaknesses of the China–Europe Railway Express, as its operational model appears to be government-backed. At present, the current low price of the China–Europe Railway Express is largely attributable to the rich subsidies provided by China's local governments. Local governments along the railway line remain in competitive positions, as each wishes to build their own cities as Eurasia logistical hubs. Consequently, this has led to a high level of government subsidies, which can reach 20–30% of the overall transportation expenses. However, Japanese logistics firms are deeply concerned about the sustainability of such a heavily subsidized model, given that many of China's local governments have been increasingly confronted with fiscal difficulties in recent years (Fukushima, 2018).

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5. Underdeveloped government–business ties in the light of TPMC in China and Japan

In addition to government-to-government and business-to-business cooperation, well-structured domestic coordination between state and non-state actors within each country is vital. Sino–Japanese TPMC projects in infrastructure and industrial sectors are closely associated with the formulation of national economic statecraft and demand massive financial investments. Thus, the materialization of TPMC agreements also necessitates the functioning of PPPs regarding information exchanges and joint financing between governments and private sectors. Regarding the TPMC, the research explores rising conflicting interests pursued by government and private sectors in both China and Japan, as a result of which the loosening of government–business ties has eventually undermined the viability of TPMC projects.

In China's case, most of the China's overseas infrastructure and energy-related projects are invested in and managed by SOEs with state-backed backgrounds. Nonetheless, along with the drastic slump of China's economic growth, recent research has pointed at the shrinking of China's BRI and oversea investments. China's BRI-related investments and lending in 2021 were about USD 59.5 billion, which recorded a 48% decline compared to 2019, the year before the start of the global pandemic. Due to the US–China trade conflict and the following global pandemic, BRI expansion was at its slowest pace since its inauguration in 2013 (Financial Times, 2020; Nedopil, 2022). The Chinese government announced new reform measures for quality-based BRI and began to inspect the financing status of overseas projects in 2019. Despite that the clientelist relationship between state actors and SOEs remains unchanged, the state–business coalition is facing formidable challenges due to the divergence of interests among three actors: the Chinese government, which has embraced an ambitious political-diplomatic prospect; SOEs, which take business risks in implementing those projects; and China's domestic financial institutions, who lend money to SOEs and pay for various projects. Although the Chinese government has continuously displayed eagerness in aligning with Japan for TPMC projects than vice versa, China's SOEs and commercial banks now have to act more cautiously in TPMC projects. These government-backed SOEs have now been trapped in a so-called 'moral hazard', as they are deeply concerned about whether the Chinese government would bail them out were they to undertake riskier overseas investments (Li and Zeng, 2019; Russel and Berger, 2019). Likewise, some of China's commercial banks have also appeared increasingly concerned about the financial viability and political risks of overseas investment projects (Cai, 2020).

On the contrary, the lack of harmonization between the government and private sectors may disturb Japan's PPP in the Sino–Japanese TPMC. In Japan, there seems to be a severe gap between the well-established government–business partnerships regarding infrastructure export under the FOIP framework and paralysed government–business ties with respect to Sino–Japanese TPMC. In the former case, existing studies highlight the consolidated role of the Japanese government in building PPPs and promoting private sector participation in overseas quality-based infrastructure projects through Keidanren, METI, JETRO, and so on (Yoshimatsu, 2017). The Japanese government has also mobilized Japan International Cooperation Agency, JBIC, Nippon Export and Investment Insurance, and other state-owned financial institutions to support private investments in infrastructure sectors. Meanwhile, Japan's business groups have also displayed rising enthusiasm regarding the export of infrastructure systems and have encouraged the government to formulate necessary policy channels.

In contrast, such an effective and constructive government–business tie remains invisible in the case of the Sino–Japanese TPMC. Specific cases can be found for Japanese private sectors rejecting government proposals and requests. Existing studies and media reports reveal that prior to Abe's visit to China in 2018, the Japanese government urged its private sector to sign TPMC MOUs with Chinese counterparts, and specifically pressurized the Itochu Group to collaborate with China Railway Construction and Thailand's CP Group for jointly investing in the HSR in Thailand (Asahi Shimbun Globe, 2018). The Japanese government followed this line of action in the effort to create a benign political climate for the Abe–Xi summit meeting, whereas Japan's private sectors had conflicting plans. Rumours spread that Itochu's local branch in Thailand was also supportive to the joint bidding. Yet, its Tokyo headquarters made a final decision of withdrawal due to the high risks and low profit return. The decision substantially disappointed the *kantei* and Japan's foreign policy makers.

After the resignation of Abe, contrariwise, the paralysed government–business tie regarding the TPMC can be proved by the lack of government support for domestic private sectors willing to engage with China. The Japanese government has prioritized improving its government-to-business collaboration under the flag of FOIP, thus making insufficient efforts for the Sino–Japanese TPMC. In the most recent 'Strategy for Overseas Infrastructure Expansion 2025' released in June 2022, the Japanese *kantei* declared to prioritize the TPMC frameworks with the USA and India and called for deeper collaboration between government ministries and financial agencies in charge of overseas investment loans, such as JBIC and Nippon Export and Investment Insurance (Kantei, 2022). JETRO, an information hub that bridges the private sector with policymakers, also followed the government's guidelines and proposed specific cooperation plans with India and the EU as primary targets of overseas TPMC (JETRO, 2020). Against this backdrop, the Sino–Japanese TPMC no longer appears to be a policy priority. Moreover, despite some business conglomerates and associations with vast business ties with China may act as supporters for the Sino–Japanese TPMC, it is now difficult for them to lobby Japanese policymakers. Instead, *kantei* has been centralized in formulating economic diplomacy and development financing, as well as China-related policies (Insisa and Pugliese, 2022). A JCEA report reveals complaints from Japanese enterprises that they had not gained much information from the government. The Japanese private sector was most eager to know 'the two countries' follow-up action plans on TPMC' and 'what sorts of support can the Japanese government provide to business firms' (JCEA, 2019a). This shows that Japanese firms now have limited access to find suitable business partners from the Chinese side, and therefore expect further PPP efforts in network building from the Japanese government.

6. Conclusion

Amid the rising Sino–Japanese rivalry in the global context, the emerging TPMC mechanisms have created rising possibilities for coordination of interests between the two major powers. However, this study finds little confidence in the performance of the Sino–Japanese TPMC, and doubts whether the current shape of TPMC can help bring convincing breakthroughs for Sino–Japanese relations in the future. The Sino–Japanese TPMC was initiated as a side event to Abe's visit to China in October 2018 and has been portrayed as the major outcome for the visit, as both governments found a pressing need to build a benign diplomatic climate. However, the consensus of political will appears to be fleeting. The shift of political leadership in Japan and the escalation of US–China tension have led to the silence of the Sino–Japanese TPMC in the following years. Pessimism originates primarily from the lack of tangible cooperative outcomes. Notwithstanding the convening of several seminars and conferences among the two countries' business enterprises,[2] the Sino–Japanese TPMC merely exists on paper and mostly stagnates as a non-committed talk show. It remains unclear whether these ambiguous cooperative proposals can materialize into action plans with specific working agendas.

This study applies an analytical framework on economic diplomacy and delivers a threefold explanation for the current dilemma of Sino–Japanese TPMC. The empirical findings suggest the presence of asymmetrical gaps at the government-to-government and business-to-business levels, as well as problematic government-to-business relations in both countries. From a government perspective, China's rising enthusiasm for leadership-taking starkly contrasts with Japan's caution and swaying postures, and such disparities in their approaches have clearly led to imbalanced inputs between China and Japan. The premise behind Japan's cooperation with China in TPMC since 2018 appears to be extremely fragile. The escalation of US–China tension and the resignation of former Prime

[2]For instance, a TPMC business exchange conference held in December 2019 and a TPMC seminar on green and low-carbon held in August 2021. Both were co-hosted by the China Chamber of Commerce for Import and Export of Machinery and Electronic Products and the Japan–China Economic Association.

Minister Abe mark a turning point, as subsequent Japanese administrations have shown little interest in deepening TPMC frameworks with China. Moreover, the COVID-19 pandemic has also distracted both countries from the TPMC to domestic issues. Likewise, from a business perspective, the TPMC lies in the unwarranted business modes between Chinese and Japanese business groups. The two countries' enterprises have also display varying levels of acceptance in accommodating the needs of those third-party market developing countries. The absence of confidence also results from the lack of accomplished landmark cases to prove the operability and profitability of the TPMC. Japan's mega-business groups are, in principle, welcoming the idea of TPMC. Nonetheless, they still follow a cautious 'wait-and-see' attitude when it comes to the implementation stage, given the various political-economic risks in third-party countries and anxieties about business compatibility with potential Chinese partners. Meanwhile, the relationships between state and non-state actors in both countries need to be reorganized following a more interactive approach. China is now re-evaluating the BRI, and its SOEs are likely to retrench their overseas investments; Japan remains unready for TPMC because it has not established well-structured channels and platforms between policymakers and business groups.

Given these asymmetric barriers, efforts from both the countries' governments and their private sectors should be made to help tone down the mood of complete hopelessness. The first pressing priority lies in the early realization of summit meeting between China and Japan. As the TPMC was born initially as a diplomatic gift for the bilateral summit meeting, the undertaking of follow-up TPMC action plans necessitates the consensus on bilateral political will. It is extremely difficult to anticipate any major breakthroughs, apart from summit meetings that can deliver strong political motivations and diplomatic initiatives. Thus, a more plausible resumption of the second TPMC forum would be on the sideline of the Chinese president's upcoming return visit to Japan after the end of the global pandemic.

Second, further reinforcing the key findings of this study is the urgent need for TPMC pilot cases, followed by government-initiated promotion campaigns to convey these successful stories to other domestic private sectors. The failed case of HSR in Thailand EEC provides a valuable lesson, suggesting that the top priority for Sino–Japanese TPMC is not to 'think big, aim high', but rather to 'start small'. Although joint bidding and the formation of a consortium for infrastructure projects seem to be tempting, private sectors remain unprepared for such ambitious plans with high risks, massive financial investments, and uncertain long-term profitability returns. At present, governments and enterprises in the two countries need to moderately lower their expectations and make step-to-step attempts when seeking collaboration opportunities and policy breakthroughs. In this regard, industrial cooperation in the supply chain seems to be a more practical cutting point to attain win–win scenarios in the future by combining China's EPC capacity and Japan's technological and investment management strengths.

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Appendix

Selected list of planned Sino–Japanese TPMC projects

Sector	Major participants	Cooperation fields
Finance	State Development Bank of China and JBIC	MOU on supporting joint financing of infrastructure projects in third-party countries
	China's Export–Import Bank and Sumitomo Mitsui Banking Corporation	
	China Investment Corporation, Nomura Holdings, Daiwa Securities, etc.	Establishment of an Industrial Cooperation Fund between China and Japan
Energy	Dongfang Electric and Hitachi	Cooperation in electricity markets
IT	Baidu and Panasonic	Next generation of in-vehicle space
	Shanghai Information Investment and Fujitsu	IT technology in healthcare services
Industrial zones	Jiangsu Jiaruicheng Construction Corporation and Yokohama Metropolitan Technology	Signing of an MOU on smart city development in Thailand
Transportation/logistics	Nippon Express and China Railway	Japan's cargo transportation in Central Asia and Europe through China–Europe freight trains

Source: METI (2018).

Dr. Muhui Zhang is an associate professor at the Department of East Asian Studies, Sungkyunkwan University, South Korea. His research focuses on political economy and regional governance in East Asia. His current research project examines the China–Japan–South Korea trilateral relationship, Sino–Japanese, and Sino–Korean politico-economic rivalry in southeast Asia, as well as environmental diplomacy in northeast Asia. Before moving to Sungkyunkwan University, he taught at the Graduate School of International Studies, Pusan National University. He recently published in *Pacific Review*, *Korea Observer*, and *Pacific Focus*. Prior to the academic career, he served as a political affairs officer at the Trilateral Cooperation Secretariat among China, Japan, and South Korea.

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