

# Third-Party Market Cooperation Between China and Japan in Infrastructure Construction Based on the Background of the Belt and Road Initiative

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**Abstract:** As the two major economic entities in the world, China and Japan have absolute advantages in infrastructure cooperation. The third-party market cooperation from the Belt and Road Initiative not only corresponds with the idea of development for mutual benefit, but also provides a new platform which enables cooperation of infrastructure development between China and Japan. With Japan's attitude towards the Belt and Road Initiative changing, the two countries' cooperation in the third-party market has also begun. Based on the Belt and Road Initiative, this paper aims to study the third-party market cooperation in infrastructure development, expounds the prerequisites for the development of the third-party market cooperation, elaborates on the current situation of cooperation in infrastructure development, and predicts the challenges ahead, so that corresponding development strategies can be put forward.

**Key words:** Third-party market cooperation between China and Japan; Infrastructure; "The Belt and Road Initiative"

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## Introduction

Japan's attitude towards the policy of "the Belt and Road Initiative" has changed from wait-and-see to active participation as it has been pushed forward. In May 2018, China and Japan jointly signed "the Memorandum on Third Party Market Cooperation between Chinese and Japanese Enterprises". In October of the same year, the first China and Japan third party market cooperation forum was held in Beijing to promote cooperation between the two countries in many fields. As the cornerstone of connectivity, infrastructure construction is the focus of bilateral cooperation. In 2018, Japan expressed its willingness to participate in the construction of "the Belt and Road Initiative" and explore third-party market cooperation. Earlier, Japanese Prime Minister Shinzo Abe also showed a positive attitude towards cooperation with China in jointly building and improving Asian infrastructure. China said that the demand for infrastructure construction and development along the Belt and Road line is urgent, and Chinese and Japanese enterprises have their own advantages and have certain complementarity. Therefore, the two countries should strengthen cooperation and make use of their complementary advantages to achieve better results.

## 1. Preconditions and feasibility of third-party market cooperation between China and Japan

### 1.1 Anti-globalization thought promotes the development of regional economic cooperation

After the outbreak of the US financial crisis, the global economy continued to be depressed. Although it entered a recovery state in 2017, the recovery process is still very slow. In contrast, regional economic cooperation has become a new trend of global economic development. It is not the best way of world economic cooperation, but regional

cooperation can not only open up new areas of trade, but also promote multilateral trade cooperation. At the same time, in the context of deepening regional economic cooperation, China has put forward the policy of “the Belt and Road Initiative”. With more and more countries and regions participating in this policy, China puts forward third-party market cooperation, which provides an innovative new model for regional economic cooperation. China and Japan, as neighbors with great influence in East Asia, will have a great impact in East Asia and even the world, whether it is game or cooperation. The cooperation between the two countries in the third-party market will not only accord with the fundamental interests of the two countries, but also promote the cooperative development of regional economy.

#### 1.2. The recovery of China and Japan relations promotes the consensus on China and Japan cooperation

At first, Japan took a wait-and-see attitude towards the policy of “the Belt and Road Initiative” proposed by China, but Japan reconsidered this policy because of the pressure brought to Japan by the withdrawal of the United States from the TPP and the great demand for developing overseas markets. In May 2017, the Japanese delegation attended the Beijing International Cooperation Summit Forum of the Belt and Road. At the G20 summit on July 8, Shinzo Abe officially expressed his intention to actively participate in China and Japan cooperation under the Belt and Road Initiative. In May 2018, Premier Li Keqiang officially visited Japan, and the two countries signed the Memorandum on Third Party Market Cooperation between Chinese and Japanese Enterprises”. So far, Japan’s attitude towards the policy of “the Belt and Road Initiative” has changed. In 2020, COVID-19 suddenly broke out, which caused great losses to China and Japan. The mutual help shown by China and Japan in the common fight against the COVID-19 has laid a solid foundation for the healthy development of China and Japan, and has pushed the relationship between the two countries to a new height, which will vigorously promote the economic development of the two countries.

#### 1.3. The policy of “the Belt and Road Initiative” provides protection for the third-party market cooperation between China and Japan.

First, the policy of “the Belt and Road Initiative” provides a solid political guarantee for the third-party market cooperation between China and Japan. In October 2018, the first China and Japan “Third Party Market Cooperation Forum” was held in Beijing. During the forum, 52 cooperation agreements were signed between local governments, financial institutions and enterprises of the two countries, with a project amount of more than US \$18 billion. Second, the construction of “the Belt and Road Initiative” has achieved remarkable results and has been highly praised internationally. Among these projects, infrastructure is the focus. China and the Belt and Road line countries have been conducting many cooperation in the field of infrastructure construction, improving the level of local infrastructure development, and continuously deepening economic and trade cooperation with the countries along the route, creating a large number of posts for the locals, At the same time, tourism and cultural exchanges are also increasingly active. At the same time, Japan’s appeal to expand overseas markets is becoming stronger and stronger. Therefore, the Abe government hopes to expand overseas markets by participating in various forms of economic and trade cooperation. “the Belt and Road Initiative “can not only help Japan to promote economic and trade exchanges with the countries along the route, but also provide new opportunities and platforms for Japan to further expand its overseas market.

#### 1.4. China and Japan are complementary and mutually beneficial in many fields

After the baptism of World War II, Japan has ushered in a period of high economic development, and its finance, energy, environmental protection and logistics have also developed rapidly. Japan has great advantages in technology, project management level and urban construction, but Japan is lack of resources, personnel reserve, cost control and construction efficiency. As a socialist country, China has high construction efficiency and has more advantages in human resource reserve and technology renewal speed, but there is still a certain gap in some technology development and precision compared with Japan. Therefore, the two countries can achieve complementary advantages, mutual benefit and win-win results in many fields. For example, in the field of energy and environmental protection, after several years of development, China’s environmental protection industry has made great achievements in cleaner production, energy conservation and new energy technology. As a large environmental protection country, Japan has been very mature in waste treatment, air pollution control and purified water. The equipment of Chinese enterprises and the technology of

Japanese enterprises can complement each other, Jointly promote the smooth progress of cooperation.

## **2.The basis and current situation of infrastructure cooperation in the third-party market between China and Japan**

### 2.1. The basis of cooperation in the field of infrastructure in the tripartite market of China and Japan

#### 2.1.1. Political basis

In recent years, with the further development of China, China and Japan relations have gradually improved. The policy of “the Belt and Road Initiative” proposed by China provides a new platform for the two countries to cooperate in the field of infrastructure. In recent years, Japan has been deeply aware of the feasibility and necessity of third-party market cooperation, and put forward the strategy of “building a high-quality infrastructure partnership”, and expressed its willingness to cooperate with China in the field of infrastructure construction in the third-party market. Both governments have shown strong cooperation intentions in the field of infrastructure cooperation in the China and Japan tripartite market, which provides a good political basis .

#### 2.1.2. Economic basis

Both China and Japan are located in East Asia and have a good foundation for economic and trade cooperation. In recent years, the traditional bilateral investment and trade between China and Japan have limited the development space of bilateral economy and trade, which objectively put forward new requirements for China and Japan to explore new ways of cooperation. the Belt and Road line countries are mostly newly developing countries with low level of infrastructure development. These countries are in the process of industrialization and urbanization, and have great demand for infrastructure construction. However, due to their own constraints, they are unable to meet the needs of infrastructure construction, which brings opportunities for investment in infrastructure construction in China and Japan. Therefore, the two countries should jointly seize the opportunity of cooperation in infrastructure construction to achieve mutual benefit and win-win results.

### 2.2. Current situation and progress of third-party market cooperation between China and Japan in infrastructure

#### 2.2.1. The cooperation between enterprises of the two countries started early and has rich experience

The cooperation between China and Japan started early, has a long cooperation time and rich experience, and now there are many successful cooperation cases. As early as 2007, Chinese and Japanese enterprises successfully built cement plants in Vietnam. In April 2007, China Construction Materials Group signed a general contract for cement equipment and installation with Yishan, Vietnam. The project was invested by a joint venture between Vietnam and Japan. China was responsible for engineering design, equipment installation and commissioning other than civil engineering. It was also one of the successful cases of Japanese investment and China’s engineering and construction cooperation. On March 1, 2017, MARUBENI CORPORATION of Japan and Jinko in Shanghai, China, signed an agreement with EWEC company of the United Arab Emirates. The agreement mainly refers to the solar photovoltaic independent power generation project in sweihan, Abu Dhabi, UAE. The project is expected to be officially put into operation in September 2019, with a total power generation capacity of 1177gw. At that time, it will become one of the largest ground power stations in the world <sup>[2]</sup>. It is said that milestone of China Japan cooperation on the policy of “the Belt and Road Initiative”. It is also a successful example of the third-party market cooperation between Chinese and Japanese enterprises in the field of infrastructure.

#### 2.2.2. The two countries are highly complementary in the field of infrastructure

From the perspective of China, first of all, China has advantages in technology and investment experience, and the construction cycle of infrastructure projects is shorter than that of Japan. For example, in the construction of Yawan high-speed railway project, China’s construction plan only takes three years, while Japan needs five years at the shortest. Secondly, China has more abundant material and human resources with lower prices. At present, China has excess capacity in infrastructure necessities such as steel bars and cement, and is richer in labor and technicians. In addition, China leads Japan in some infrastructure related technologies, such as high-speed railway and heavy haul railway.

From the perspective of Japan, first of all, Japan's infrastructure construction is technically advanced. The Japanese government has repeatedly stressed the "high quality". Therefore, Japan's infrastructure construction is characterized by high safety, long service life and low operating costs. Secondly, it is also effective in environmental protection. Japan used exquisite environmental protection technology in the construction of new Bohol airport in the Philippines, which effectively prevented the environmental damage caused by the wastewater generated by the airport. In addition, Japan also has rich experience in foreign infrastructure investment. It began foreign infrastructure investment as early as the 1960s and 1970s. However, China's foreign infrastructure investment started late and lacks experience compared with Japan.

China and Japan have their own advantages and strong complementarity in foreign infrastructure construction, which objectively provides conditions for the smooth development of third-party market cooperation between China and Japan.

#### 2.2.3. Government agencies actively promote China Japan cooperation

At the Third-party Market Cooperation between China and Japan Forum, not only enterprises but also government departments and agencies reached cooperation intentions. Especially in infrastructure construction. Most of them are led by government departments and agencies to promote cooperation between Chinese and Japanese enterprises. For example, the Cambodian government cooperates with the Chinese government to jointly promote the cooperation between Chinese and Japanese enterprises in Cambodia. On September 25, 2018, the government of khaknu port special economic zone in Cambodia, relevant government departments of Jiangsu Province and a number of Japanese enterprises and banks jointly held a recommendation meeting for Sihanouk port special economic zone in Tokyo, Japan. The project in this meeting is invested and constructed by private enterprises in Jiangsu Province, hoping to attract excellent Japanese enterprises to participate in the construction of Sihanouk port special economic zone and realize the mutual benefit and win-win situation of China, Japan and Cambodia.

#### 2.2.4. Novel cooperation mode

The cooperation mode between China and Japan in the field of infrastructure in the third-party market can be summarized as the cooperation mode of "technology + market + production capacity". Japan is a developed country and China is a developing country. The cooperation between China and Japan in the field of infrastructure is carried out in emerging developing countries, which can also be expressed by the cooperation model of "developed countries + emerging developing countries + developing countries". The three subjects of third-party market cooperation have their own characteristics and advantages. Firstly, as a developed country, Japan has high technological advantages, while China provides capacity for infrastructure construction, and the third-party market provides broad market demand. Therefore, through tripartite market cooperation, we can realize the organic combination of the three basic elements of technology, market and capacity, realize complementary advantages, and truly achieve "1 + 1 + 1 > 3".

### **3.The development trend and challenges of third-party market cooperation between China and Japan in infrastructure construction**

#### 3.1. Differences in social and economic systems between the two countries

The social and economic systems of China and Japan are different, which determines that the two countries have certain differences in the choice of development ideas and development paths. In addition, the two governments have different measures and means to intervene in the third-party market cooperation between China and Japan, especially in the field of infrastructure, which may lead to differences of views in future cooperation. In terms of railway construction, both China and Japan have their own standard system and believe that they have certain advantages in this field, so conflicts are easy to occur in the process of cooperation and affect the normal promotion of cooperation. Therefore, the third-party market cooperation between China and Japan needs to go through a running in period before it can be gradually improved.

### 3.2. The influence of American attitude on Japan.

To a certain extent, Japan will be restrained by the United States. In dealing with diplomatic relations with China, Japan will be influenced by the United States. At present, the Sino-US trade deficit and other issues have led to turbulence in China US relations. After the outbreak of COVID-19, the United States failed to control its efforts. The Trump Administration tried to shift its responsibility to China, resulting in a further cooling of the bilateral relations. Japan's current foreign policy is deeply influenced by American factors, so China and Japan need to guard against the influence of the United States in carrying out third-party market cooperation.

### 3.3. The cooperation mechanism needs to be improved

First of all, in the cooperation between China and Japan in the field of infrastructure construction in the third-party market, most Chinese enterprises are state-owned enterprises. In the projects of ASEAN, Chinese state-owned enterprises account for 77%, which seriously affects the development strategy of "going global" of Chinese private enterprises, and also makes Japan doubt the cooperation and worry about whether the cooperation contains "political strategy". Secondly, China and Japan mainly carry out third-party market cooperation through meetings and forums, led by the government and exchanges between Chinese and Japanese enterprises, so the efficiency of the cooperation mechanism is low. In addition, unlike other projects, infrastructure projects have the characteristics of high risk, difficult financing and long cycle. However, the current cooperation mechanism is difficult to effectively control such problems. Therefore, the cooperation mechanism between China and Japan needs to be improved.

## **4. Countermeasures and suggestions on deepening the third-party market cooperation between China and Japan in infrastructure**

### 4.1 Build an open and win-win cooperation model

Throughout the history of human social development, the world economy prospers when it is open and declines when it is closed. In the context of economic globalization, the economies of China and Japan are interdependent. Treating each other sincerely and sharing benefits is the fundamental plan. Japan remains vigilone about the "the Belt and Road Initiative". The third-party market is not strong enough in the field of infrastructure. Therefore, Japan should take a more active attitude in the "one belt and one road" construction. China and Japan should work together to build an open and win-win cooperation mode.

### 4.2. Establish a long-term support and promotion mechanism

The cooperation cycle between China and Japan's third-party market in infrastructure construction is long, so it is necessary to establish an all-round docking network to support the long-term operation of the cooperation mechanism. First, the government's support is very important. At present, the third-party market cooperation between China and Japan is mainly built by the government. A good government-built platform is conducive to promoting enterprise communication. The Chinese and Japanese governments should jointly improve bilateral relations, deal with contradictions and problems between the two countries, establish more cooperation platforms and mechanisms, and strengthen cooperation and exchanges between Chinese and Japanese enterprises. Secondly, Chinese and Japanese enterprises should establish an all-round docking network to help enterprises coordinate the conflicts faced in project promotion, solve the problems such as standard rules in cooperation, and jointly create a more appropriate way of cooperation to provide effective services for the cooperation between China and Japan in the field of infrastructure in the third-party market.

### 4.3. Build financing knowledge system and promote financing diversification

The third-party market cooperation between China and Japan in infrastructure construction is inseparable from the support of the financial system and the improvement of the financing mechanism. Therefore, while promoting the third-party market cooperation between China and Japan, we should also promote the financial cooperation between the two countries. The financial institutions of China and Japan can connect with third-party countries, and the three countries can establish a long-term and effective communication and cooperation mechanism to jointly guide the flow of funds

and integrate capital resources. China and Japan can introduce social capital through the issuance of stocks and bonds, and enrich the financing mode. Promote financing diversification.

#### 4.4. Encourage private enterprises to “go global”

China’s investment in infrastructure construction in the third-party market is mainly made by large state-owned enterprises, which leads to Japan’s skepticism about cooperation, which is bound to affect the normal cooperation between the two countries. Therefore, the government should encourage more Chinese private enterprises to participate in infrastructure construction, and provide help to private enterprises in financing, investment strategy and investment experience, to reduce investment risks. So that Chinese enterprises can cooperate with Japanese enterprises under fair, just and transparent economic rules, and steadily promote the third-party market cooperation between China and Japan in infrastructure construction.

There are many unstable factors in today’s world, and the future of China and Japan is full of variables and challenges. Therefore, the two one should seize the opportunity “the Belt and Road Initiative” and jointly cope with the difficulties and challenges ahead. With the help of the third-party market cooperation mechanism, we should implement more infrastructure projects and explore new development models, so that cooperation can be developed in a high standard and high-quality direction, and promote the common development of China and Japan and the third-party market economy. At the same time, China Japan relations will enter a track of sound development.

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