



**Sigur Center  
for Asian Studies**

THE GEORGE WASHINGTON UNIVERSITY

## **Between the BRI and AAGC: Japan's Evolving Calculus**

Last year saw the launch of two regional connectivity projects in the Indo-Pacific. China's [Belt and Road Initiative](#) (BRI) celebrated its official start at the inaugural Belt and Road Forum for International Cooperation on May 14, 2017, and Japan and India unveiled their Asia-Africa Growth Corridor (AAGC) [Vision Document](#) during the African Development Bank Meeting on May 22, 2017. The back-to-back announcements, in the context of India and Japan's strained relations with China, led to rampant speculation that the AAGC was the two countries' attempt to block their neighbor's influence in the region. Editorials, scholarly journals, and even a presentation at the World Economic Forum characterized the AAGC as Japan and India's "[answer](#)," "[challenge](#)," "[counter to](#)" and "[balance against](#)" China, especially against the larger backdrop of maritime territorial disputes in the Indo-Pacific region.

How has Japan been calculating its interests and positions in regard to the BRI and AAGC, and what does this reveal about Japan's view of its role in the changing and challenging strategic and economic circumstances in the Indo-Pacific?

### **Concurrent Conceptions**

During Chinese President Xi Jinping's tour of Central and

Southeast Asia in late 2013, Xi proposed the idea for a Silk Road Economic Belt and Maritime Silk Road. The programs were combined and took the name One Belt One Road (OBOR) when formalized planning began in 2014. The BRI officially premiered in its current form at the first Belt and Road Forum for International Cooperation in May 2017, although Chinese investment in BRI member countries had already begun.

Japanese Prime Minister Shinzo Abe's ambition for stronger bilateral ties with India and concern for security in the "[Asia-Pacific](#)" was apparent during his visit to India in January 2014 with then-Prime Minister Manmohan Singh. This continued following the election of Prime Minister Narendra Modi in May 2014, and the two committed to "[realise a peaceful, open, equitable, stable and rule-based order in the Indo-Pacific region](#)" during Abe's visit to India in December 2015. When Modi visited Japan the following year, the leaders reiterated their desire for a "free and open Indo-Pacific region" through "[regional integration and improved connectivity as well as industrial networks based on the principles of mutual consultation and trust](#)." Abe and Modi's intentions came to fruition in May 2017 as the Asia-Africa Growth Corridor (AAGC).

The AAGC's commitment to inclusivity with recipient countries and environmental protections was seen as a critique of [China's alleged exploitation of BRI recipients](#). The Chinese response to the AAGC, which [included calls for India and South Africa to pursue regional development through the BRICS](#) (Brazil, Russia, India, China, and South Africa) organization, further fueled chatter about Japan and India's intentions despite the AAGC's lack of strategic teeth. However, Japan's announcement in December 2017 that it would [support the BRI by encouraging Japanese businesses to participate](#) and its January 2018 [invitation to China to participate in joint development projects in Africa](#) disrupted the narrative that the AAGC was Japan's pointed alternative to the BRI.

## **Domestic Pressure to Cooperate**

While the Japanese public is anxious about China's growing influence in the Indo-Pacific, [business interests seem to outweigh these concerns](#). Japan's eight-quarter streak of economic growth--the longest since the bubble economy

collapsed in 1991--was dashed by [contraction in the first quarter of 2018](#). The growth potential of Japan's domestic market is limited due to its rapidly declining population, which leaves no alternative but to expand operations and sales in foreign markets. The Japanese government itself has taken to encouraging businesses to increase sales abroad [with a special interest to increase infrastructure exports](#). Partner countries to the BRI, especially those in Africa, are [prime markets to be tapped given their projected population growth and increasing buying power](#). The Abe administration's [volatile public support ratings in the wake of a series of scandals](#) provide an additional motivation to solidify political support wherever it can be found. Encouraging Japanese businesses to participate in advantageous BRI projects while the AAGC takes form kills two birds with one stone.

## **Foreign Policy Concerns**

Japan's participation in both the AAGC and BRI is sensible with regard to the country's long-term foreign policy concerns as well. Japan desires to remain relevant and influential in the Indo-Pacific region and to mold China into a "[responsible global player](#)." To the first point, it is important to keep in mind that [Japan has been pursuing the principles of regional connectivity and "proactive contribution to peace" long before the formalized "Free and Open Indo-Pacific Strategy" was announced in 2016](#). Japanese official development assistance for port infrastructure, for example, predates the BRI by nearly a decade. In 2007, Japan provided a loan to Oman for the construction of the Duqm port, and Japanese assistance for Sihanoukville Port in Cambodia began in 1999. For Japan, both the AAGC and BRI serve as new platforms to improve regional connectivity and cooperation.

Increasingly mixed signals from the US provide an opportunity for Japan to strengthen its position in the region. As its patron wobbles in its role as the protector of liberal values in Asia, Japan stands to inherit the torch--or at least hold it while the US regains its footing. The [US's adoption of the "Indo-Pacific" terminology along with Trump's apparent enthusiasm for Abe's "quadrilateral" initiative between India, Japan, Australia and the US](#) in late 2017 was seemingly forgotten [when the administration slapped tariffs upon its allies as well as its competitors in 2018](#). Japan wasted no time in salvaging the failed

Trans-Pacific Partnership (TPP) without US support, rebranding it as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPATPP) in 2018. Spearheading yet another multilateral forum to promote free trade and economic growth in the region only garners Japan's reputation in this regard.

But Japan cannot secure its position as an influential regional leader by simply countering China's every move. It must also demonstrate its commitment to international norms of responsible leadership, especially given its own imperialist history. Participation in the BRI and other Chinese-led programs affords the Japan the opportunity [to promote liberal norms within the Initiative](#) as an active member and stakeholder, rather than an adversarial bystander. Furthermore, Japan should be willing to support China only as long as it commits to [“play a responsible and constructive role for the sake of regional peace, stability and prosperity.”](#) Japanese participation in the BRI may serve as an acknowledgement of China's own efforts to [improve bilateral ties in the wake of the North Korean missile crisis and the shared strain of US tariffs.](#)

## **Can the BRI and AAGC Cooperate?**

A counterpoint to the assumption that the AAGC and BRI are inherently competitive is the cooperation between the [Asian Development Bank](#) (ADB) and [Asian Infrastructure Investment Bank](#) (AIIB). The ADB was founded in 1966 with the leadership of Japan and the United States, who remain the largest shareholders. Although China is an active member in the ADB, the AIIB was perceived as the Chinese challenge to the ADB when it was founded in 2016. However, officials from the ADB and AIIB have [adamantly maintained that development in Asia is not zero-sum.](#) In an interview with the Japanese newspaper *Yomiuri Shimbun* commemorating the ADB's fiftieth anniversary, ADB President Takehiko Nakao explained that [the funding through the AIIB is welcome given that demand for infrastructure in Asia is projected to reach 26 trillion US dollars by 2030.](#) At the time of the interview in May 2017, the ADB and AIIB had agreed to work together on three joint development projects, and Nakao had met with the AIIB chief nine times since its foundation. As with AAGC and BRI, the ADB funds a much wider scope of development projects whereas the AIIB is intended for infrastructure. As Nakao explained, economic development fuels demand for infrastructure

and improved infrastructure can fuel demand for further growth as well. The complementary nature of each bank's goals provides a strong impetus for cooperation.

## **Conclusion**

Analysts and scholars have since begun to contextualize the AAGC and BRI within Japan's longer history of cooperating with China and have largely found that the country's simultaneous support of the two initiatives does not represent a major policy change. [Japan is promoting investment in BRI projects that align with the goals of the AAGC](#), especially those related to cooperative projects in sustainable energy development and improving industry, while discouraging investment in projects that could be used for military purposes, such as development of port facilities. The recent example of [Itochu Corp and Nippon Express literally hopping on board the BRI](#) by utilizing new railways to ship Japanese products to Eastern Europe at half the cost of traditional maritime shipping demonstrates the necessity of increased regional connectivity for the country. Through complementary participation in both the AAGC and BRI, Japan is most able to pursue its own policy goals.

*By Kathleen K. McAuliffe, Ph.D. Student, The George Washington University, and Graduate Research Assistant, Rising Powers Initiative. Views expressed are the author's own.*

*This RPI Policy Brief is the first in a three-part series on Connectivity and Competition in the Indo-Pacific.*

---

## ***About the Rising Powers Initiative and Sigur Center for Asian Studies***

The Sigur Center's Rising Powers Initiative examines how domestic political debates and identity issues affect international relations in Asia. The Rising Powers Initiative acknowledges support from the MacArthur Foundation and Carnegie Corporation of New York.

The Sigur Center for Asian Studies is an international research center of The Elliott School of International Affairs at The George Washington University. Its mission is to increase the quality and broaden the scope of scholarly research and publications on Asian affairs, promote U.S.-Asian scholarly interaction and serve as the nexus for educating

### **Sigur Center for Asian Studies**

**THE GEORGE WASHINGTON UNIVERSITY**

a new generation of students, scholars, analysts and policymakers. The Sigur Center houses the Rising Powers Initiative, a multi-year, multi-project research effort that studies the role of domestic identities and foreign policy debates of aspiring powers.

Sigur Center for Asian Studies  
Elliott School of International Affairs  
The George Washington University  
1957 E St. NW, Suite 503  
Washington, DC 20052

TEL 202.994.5886  
EMAIL [gsigur@gwu.edu](mailto:gsigur@gwu.edu)  
<http://sigur.elliott.gwu.edu>  
<http://www.risingpowersinitiative.org>

Photo credits: [The Prime Minister of Japan and His Cabinet](#) (L), [Xinhua Silk Road Information Service](#) (R)