

Japan's export of infrastructure systems: pursuing twin goals through developmental means

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ABSTRACT

This article focuses on the export of infrastructure systems as Japan's foreign economic policy that is unique in terms of diplomatic goals and means. It seeks to address how and why the Japanese government has strengthened commitments to expanding infrastructure exports to major Asian countries. This article argues that the Japanese government took advantage of developmental means of state-led initiative and institutionalised government-business collaboration in sustaining the export of infrastructure systems. It also contends that the Japanese government pursued, in the infrastructure export initiative, twin goals of creating a new growth engine to revitalise the Japanese economy and strengthening strategic links with Asian countries to balance China's regional influence.

KEYWORDS Japan; infrastructure development; trade policy; developmentalism; geopolitics

Introduction

As shown by China's initiative in establishing the Asian Infrastructure Investment Bank (AIIB) and 57 countries' participation in the bank, infrastructure development is regarded as one of the most crucial policy issues in Asia. While the major East Asian economies have exhibited steady growth in the new millennium, continuous growth requires the provision of fundamental infrastructure for the society and industry. In fact, required infrastructure investment in energy, telecommunications, transport, and water/sanitation in Asia is estimated to be US\$8 trillion in 2010–20 (ADB 2009: 167). Japan, China, and South Korea in addition to major western countries find the source of economic vitalisation in expanding the export of infrastructure systems to major Asian countries that achieve steady industrialisation.

The Japanese government under Prime Minister Shinzo Abe has striven to revitalise the long-stagnated Japanese economy and foster new sources of economic growth. In order to attain this policy objective, the government pursued the so-called *Abenomics*, which consisted of aggressive monetary policy, flexible fiscal policy, and growth strategy to encourage private investment. On the external front, Abe intensified proactive diplomatic postures, pursuing 'the diplomacy taking a panoramic perspective of the world'. Under this slogan, Abe made 27 foreign visits to all parts of the world in three years after

the start of his second cabinet in December 2012. Importantly, the expansion in the export of infrastructure systems constitutes Japan's new trade policy and purposeful foreign economic diplomacy pursued by the Abe cabinet.

This article focuses on the export of infrastructure systems as Japan's foreign economic policy that is unique in terms of diplomatic goals and means. It seeks to address how and why the Japanese government, especially during the Abe cabinet, has strengthened commitments to expanding infrastructure exports to major Asian countries. This article argues that the Japanese government took advantage of developmental means of state-led initiative and institutionalised government-business collaboration in sustaining the export of infrastructure systems. It also contends that the Japanese government pursued, in the infrastructure export initiative, twin goals of creating a new growth engine to revitalise the Japanese economy and strengthening strategic links with Asian countries to balance China's regional influence. The following section takes a brief look at the Japanese government's evolving strategies and institutional commitments towards the export of infrastructure systems.

Japan's institutions and strategies for expanding infrastructure exports

The export of infrastructure systems was located as an explicit government policy in the new millennium. However, Japan's commitments to infrastructure development were seen in the late 1980s when Japanese companies accelerated relocations of their operations overseas due to the appreciation of the yen and the globalisation strategy. The Japanese government provided developing countries in Asia with official development assistance (ODA) for infrastructure projects that were needed to consolidate the foundation for industrialisation, which helped Japanese manufacturing companies to construct production networks on the basis of division of labour among different countries (Hatch 2010: 74–85).

Substantial discussions within the government on the export of infrastructure systems began during the Democratic Party of Japan (DPJ) period. The DPJ cabinets in 2009–12 advanced policies and measures to support Japanese companies' advancement in overseas infrastructure projects. The New Growth Strategy, formulated in June 2010, stipulated that 'Japan will establish a framework for strenuously supporting private companies' initiatives in the field of infrastructure with "one-voice and in a united front" approach', aiming to expand the market of exports to 19.7 trillion yen by 2020 (Cabinet Office 2010). The government established the Ministerial Meeting on the Deployment of Integrated Infrastructure Systems in September 2010 in order to discuss the possibilities of and strategies for Japanese companies' deployment of infrastructure systems overseas by focusing on specific fields or specific countries. Individual government agencies strengthened internal organs to deal with the deployment of infrastructure systems overseas. While the Ministry of Foreign Affairs (MOFA) set up the Promotion Headquarters on Deployment of Integrated Infrastructure Systems in October 2010, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) set up a new senior post of Director-General for International Affairs as well as two new sections within the Policy Bureau in order to advance integrated policy formation for supporting the deployment of infrastructure systems.

The Liberal Democratic Party (LDP) regained power as a result of a landslide victory in the lower house election in December 2012. The LDP government raised the export of infrastructure systems as one of the key economic policies. The LDP's promise for the

lower house election contained a phrase that 'Japan will promote the export of the world's up-to-date infrastructure systems, the fostering of globally-oriented human resources, and the internationalisation of educational institutions' (LDP 2012: 8). After the election, Shinzo Abe formed his second cabinet and instructed relevant ministers to support the export of the world's up-to-date infrastructure systems at the third meeting of the Headquarters for Japan's Economic Revitalisation in January 2013 (Inaba 2013: 87). In response to Abe's instruction, the cabinet established the Ministerial Meeting on Strategy Relating Infrastructure Export and Economic Cooperation in March 2013. The meeting headed by Chief Cabinet Secretary and comprised other six relevant ministers became the key headquarters to discuss the government's policies for infrastructure exports that involved various government agencies. The meeting was held 26 times between March 2013 and August 2016, targeting specific countries/ regions or specific policy fields.

In May 2013, the government published an integrated grand strategy for infrastructure deployment: the Infrastructure Export Strategy. The strategy explicitly presented a numerical target of tripling infrastructure sales from 10 trillion yen in 2010 to 30 trillion yen by 2020. The attached document contained concrete sales targets in major fields: 9 trillion yen, 7 trillion yen, and 6 trillion yen in energy, transportation, and communication fields, respectively. The strategy also formulated five concrete guidelines: the promotion of public-private partnership for strengthening companies' global competitiveness; support for finding and fostering human resources; the acquisition of international standards; support for fields in new frontier; and the promotion of securing stable and inexpensive resources. The strategy laid down guidelines of individual regions, and regarded the Association of Southeast Asian Nations (ASEAN) as 'a market where Japan will never lose and be behind'. The government continuously focused on the export of infrastructure systems as a major policy agenda by issuing the follow-up versions of the strategy.

In 2015, Japan launched a new initiative in supporting infrastructure development in Asia. Prime Minister Abe announced the 'Partnership for Quality Infrastructure: Investment for Asia's Future' at an international conference, 'The Future of Asia: Be Innovative' in May 2015. Abe pledged to provide US\$110 billion to finance quality infrastructure needs in Asia over a period of five years. This initiative accompanied four concrete measures to pursue quality infrastructure: the full mobilisation of Japan's economic cooperation tools; collaboration between Japan and the Asian Development Bank (ADB); the doubling of funds for projects with relatively high risk profiles; and the promotion of quality infrastructure investment as an international standard. A crucial feature in the initiative was the combination of bilateral support through the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC) with multilateral commitments represented by the ADB as a strategy to complement each other for offering high-quality infrastructure (Araki and Kanda 2015: 67–8).

Developmental means in the export of infrastructure systems

Government commitments to the export of infrastructure systems

Since infrastructure development is normally planned and carried out under the strong initiative of national or local governments, private actors' commitments alone have limitations to gaining success in infrastructure business. Moreover, since infrastructure

projects tend to be large-scale, long-term businesses with multiple risks in construction and management, private companies are confronted with great difficulties in preparing for huge capital and likely risks accompanying its injection (Shimizu 2015: 86–92). In particular, infrastructure development is often positioned as a national project in newly emerging economies, and thereby infrastructure businesses in them accompany high risks such as the likelihood of sweeping a past promise clean by a new government, the extension of period for site acquisition or approval and license, and so on (Inaba 2013: 88). These are reasons why the Japanese government strengthened interventionist policies to sustain private companies' commitments to the export of infrastructure systems.

The Japanese government has formulated and carried out various policies to sustain the export of infrastructure systems. The primary set of policies was related to the use of ODA. In October 2013, economic cooperation reforms for yen loan were announced. The reforms aimed at improving the yen loan system in order to promote Japanese companies' participation in Public Private Partnership (PPP) projects. Since the PPP projects for infrastructure often take the Build, Operate and Transfer method, they tend to be a risky business with a 20-30 project period (Motohashi 2013: 94). Accordingly, the government's loan support is very effective in urging private actors' positive participation in the PPP project. The government also expanded the scope of tied loan for projects under the Special Terms for Economic Partnership (STEP).¹ Furthermore, the government began in 2014 to take advantage of grant for a part of initial investment for business, and thereby sustain Japanese companies' winning of overseas business. In addition to ODA, the government strengthened private-sector investment finance. The JICA set up the local currency-denominated loan system in its overseas investment. The Nippon Export and Investment Insurance strengthened its functions by expanding the insurance scope to risks associated with business suspension due to terrorism, a war, and so on, as well as to businesses by overseas subsidiaries.

The government's strengthened financial support surely led to an increase in overseas infrastructure business. The amount of infrastructure sales increased to some 19 billion yen in 2014, which implied steady progress towards a goal of 30 billion yen in 2020 (Cabinet Secretariat 2016: 1). However, Japan experienced a serious setback in the high-speed railway project in Indonesia. Although Japan had committed to feasibility studies for the project from 2009, the Indonesian government tuned down a Japanese bid in favour of a Chinese one in September 2015. After this failure, the Japanese government revised the ODA systems regarding infrastructure development in several ways. First, the government revised yen loan procedures to reduce the period necessary for government-related procedures to one and a half years at most for important projects and to approximately two years at most for other projects. Second, the government introduced ODA loans with a currency conversion option to upper-middle-income countries. This method is designed to increase the attractiveness of the loans by making their repayment option flexible. Third, the government decided to exempt the government guarantee in providing yen loans directly to sub-sovereign entities of developing countries when several conditions including the economic stability of recipient countries and sufficient commitments by recipient governments are met. These revisions derived from the lessons from the defeat in the Indonesian railway project.

The provision of ODA and private-sector investment finance was the soft form of government intervention designed to provide private actors with incentives to invest in new businesses. The offer of financial support is expected to lower entry barriers to overseas infrastructure projects that require huge initial investment and accompany

Table 1. The number of top-sales pitches, 2012–15.

Year	Prime minister		Ministers		Total	
	No.	No. with economic missions	No.	No. with economic missions	No.	No. with economic missions
2012	10	0	19	1	29	1
2013	34	8	46	7	80	15
2014	32	10	42	10	74	20
2015	32	9	36	4	68	13

Source: Made by author from Cabinet Secretariat (2016: 1).

economic and political risks. As explained later, these are the policies that private companies required the government to adopt in assisting their overseas business operations.

The second set of policies was related to strength in information sharing and information diffusion. The MOFA appointed ‘a special official for infrastructure projects’ in diplomatic establishments overseas. As of October 2016, the number of officials reached 54 in 17 establishments located in Asia.² The special officials collect information regarding infrastructure projects in an individual country, and play a liaison role in delivering information to local agencies and private associations. Moreover, the government compiled the ‘quality infrastructure investment casebook’ and delivered its English version to other countries in order to share information about advanced Japanese technologies.

In addition to the provision of financial support and information, the government has implemented policies that have broader impacts on the export of infrastructure systems. Senior government leaders have undertaken top-level sales diplomacy as a crucial means to secure the expansion of Japanese infrastructure business, and such a commitment intensified particularly during the Abe cabinet. The number of Prime Minister’s top-level sales pitches increased from 10 in 2012 to 34 in 2013, and kept a high level in 2014 and 2015 (Table 1). In addition to Prime Minister, ministers of the Ministry of Economy, Trade and Industry (METI) and MLIT have undertaken intensive top-level sales activities, and its number increased from 19 in 2012 to 46 in 2013 and 42 in 2014. While METI Minister made a formal visit to Vietnam, Myanmar, Brunei, and Indonesia, MLIT Minister visited Myanmar, Thailand, Vietnam, and Indonesia for high-level talks involving infrastructure business.

The top-level sales activities have led to successful outcomes (Table 2). The most important case is the high-speed railway project in India. When Prime Minister Abe made a formal visit to New Delhi in December 2015, the Japanese and Indian governments signed a memorandum of cooperation on high-speed railways in which the two governments confirmed that Japanese high-speed rail technologies (the *Shinkansen* system) and experiences would be used for developing the Mumbai-Ahmedabad high-speed railway corridor. This successful accomplishment was a result of top-level sales

Table 2. The major outcomes of top-level sales pitches in Asia.

Country	Item	Values (yen)	PM visit	Decision
Mongolia	International airport	50 billion	Mar. 2013	May 2013
Indonesia	Mass transport system	32.6 billion	Jan. 2013	Jun. 2013
Malaysia	Coal power plant	330 billion	Jul. 2013	Feb. 2014
India	<i>Shinkansen</i> system	1.8 trillion	Jan. 2014	Dec. 2015
Thailand	Mass transport system	112 billion	Nov. 2014	Mar. 2016

Source: Made by author from information in *Sankai Shimbum* (2 September 2014), *Tokyo Shimbum* (15 December 2015), and information in MOFA documents.

activities. When Abe visited India as a chief guest at the Republic Day celebration in January 2014, Abe and his counterpart Manmohan Singh exchanged views on various issues from politics and security to economic cooperation and people-to-people exchanges. The joint statement issued at this occasion referred to the High Speed Railway system on the Mumbai-Ahmedabad route. Abe also accompanied 77 representatives from 28 corporations including East Japan Railway Company and Hitachi, Ltd (Sasaki 2014). During a summit meeting with newly elected Indian Prime Minister Narendra Modi in November 2014 on the sidelines of the Group of Twenty (G20) summit in Brisbane, Australia, Abe expressed his hope that the high-speed railway between Mumbai and Ahmedabad would become the first case in which Japan's *Shinkansen* system is introduced in India.³

The government leaders' foreign visits accompanied an economic mission. In addition to the case in India, 117 representatives from 43 corporations accompanied Prime Minister Abe's visit to Myanmar in May 2013 (Sasaki 2014). The chairman or senior executives of Nippon Keidanren (Japan Business Federation) joined in these missions. Importantly, Abe himself proposed an idea of making corporate executives accompany his foreign visits. Unlike conventional cases when Nippon Keidanren coordinates the selection of accompanying companies for the government, the Prime Minister's Office asked relevant ministries to pick up individual companies with high technologies in industrial sectors that the governments of visiting countries had strong interests in.⁴

The top-level sales diplomacy was effective in expanding the deployment of infrastructure systems that are relevant to large-scale national projects in foreign countries. The senior leaders' activities for selling Japan's high-quality products and elemental technologies have a strong appeal to government officials and business groups in a partner country. The presence of private actors in leaders' foreign visits surely facilitates subsequent talks and bargains on advancing concrete infrastructure projects.

The above explanation articulates the government's strong initiatives and commitments to the export of infrastructure systems. This does not imply that business groups were passive actors that were forced to follow the government's initiatives. In reality, the business groups regarded the export of infrastructure systems as a promising area of substantial revenue, and have encouraged the government to formulate necessary policies to prop up the export. The business group's willingness to expand the export of infrastructure systems is shown in commitments by Nippon Keidanren that has published position papers regarding the export of infrastructure systems almost every year since 2009. In its 2009 position paper, Keidanren stressed the need to strengthen soft infrastructure through economic partnership agreement and utilise ODA strategically towards the development of necessary hard infrastructure. After the formation of the Abe cabinet that had strong interests in the export of infrastructure systems, the federation strengthened commitments to this issue by showing concrete recommendations towards individual countries and regions. Furthermore, Keidanren executives have organised direct meetings with senior government officials to discuss the export of infrastructure systems. In January 2014, for instance, the federation's executives and senior MOFA officials organised a meeting to exchange views and opinions on the export of infrastructure system. The Keidanren executives stressed the need to take advantage of JICA and the importance of Japan-tailored standards in strengthening the deployment of Japanese infrastructure overseas.⁵

The export of infrastructure systems was integrated as a crucial agenda for discussions at business-involved government institutions formed by the Abe cabinet. For

instance, the cabinet set up the Industrial Competitiveness Council in January 2013, which comprised 17 members including eight from the business circle. In the council's meetings, business representatives stressed the importance of expanding the export of infrastructure systems as a pillar for Japan's international development strategy. Under the cabinet-level institutions, individual ministries set up advisory councils to formulate policies for infrastructure exports. For instance, METI set up a subcommittee of economic cooperation and export of infrastructure systems in May 2014 under the Commercial and Trade Division, the Industrial Structure Council. The twelve private representatives mainly from the business circle discussed challenges and future prospects regarding the export of infrastructure systems in order to formulate a policy report.

Institutionalised government-business partnership was seen in the implementation process of infrastructure businesses. The Japanese public and private actors established a joint organisation comprised of major government ministries – MOFA, METI, MLIT, MOF –, government-affiliated organisations – JICA, JBIC, Japan External Trade Organisation –, and business associations – Nippon Keidanren, Nissho (Japan Chamber of Commerce and Industry) – in relation to infrastructure business in Vietnam, Myanmar, and India. The organisations have supported Japanese companies' bidding for infrastructure projects through policy dialogues with the central and local governments in target countries.

The lack in policy harmonisation among government agencies often disturbs the effective implementation of public policies in Japan. In this respect, policy harmonisation among multiple government agencies including government-affiliated organisations enables the government to offer comprehensive and effective measures for infrastructure deployment through the division of labour. Close partnership between the government and business groups also underpin effective policy formulation and implementation by facilitating the reflection of practical needs of private actors on government policies.

The theoretical implications of government commitments

The previous section articulated the government's purposeful use of interventionist policies and institutionalised government-business collaboration in sustaining the export of infrastructure systems. The Japanese government combined policies from foreign aid, public finance, information sharing, and so on, in order to provide favourable environments for Japanese companies' penetration in offshore infrastructure business. In formulating these policies, business groups delivered their preferences and requirements to the government through participation in advisory councils and the submission of position papers. The government also took the lead in realising concrete outcomes in infrastructure exports through top-level sales activities by prime minister and other relevant ministers. The private representatives accompanied prime minister's foreign visits, and private associations created joint organisations with government agencies to support Japanese companies' bidding for infrastructure projects. What theoretical implications does the finding of this study have in terms of means used in the government's infrastructure export initiative?

Japan's economic development attracted much academic interest under a concept of developmentalism (Johnson 1982). The state's attempt to govern the market and steer industrial transformation was considered as crucial attributes to Japan's economic success, and Japan's development style was regarded as the original model of economic

development in other East Asian countries. In Japan's developmentalism, state intervention in economic affairs and close coordination between the government and business are two major features (Trinidad 2013: 106–7). The government intervenes in the market aiming at industrial transformation in general and the fostering of competitive and dynamic manufacturing industries as targeted sectors with strategic importance in particular. For this objective, the government employs a wide range of industrial policies in special tax treatment, low-interest policy finance, research and development (R&D) subsidies, and so on, which are used to facilitate corporate investment in the targeted industries (Komiya et al. 1984). Importantly, government intervention is directed towards sustaining Japanese companies' relocation to East Asia through the provision of ODA and the use of public financial institutions to promote small- and medium-sized enterprises to move production overseas. Such policies contribute to creating the characteristic system of regional production networks in East Asia.

In Japan, there is a long tradition of collaborative government-business relations, which were sustained by various manners. The business groups represented by Nippon Keidanren have influenced policy-making through the submission of position papers regarding the government's economic and industrial policies and Japan's external economic relations. The business groups have also been involved in the policy-making process through the dispatch of their executives to advisory councils (Schwartz 1993). The institutional arrangements formed through the advisory councils enabled the Japanese government to dampen the likelihood of government failure. Furthermore, sector-specific industrial associations and relevant bureaus and sections of economic ministries have maintained close communications through which the associations provide government officials with the latest and most precise information that were used for identifying key policy issues and formulating concrete measures to deal with the issues (Yoshimatsu 2000: 34–6). Such communications were possible in 'governed interdependence' that created the synergy of the state and market and of competitive collaboration between government and industry (Weiss and Hobson 1995).

It is believed that after the late 1990s, the Japanese government sought to revitalise its depressed economy by adopting neoliberal reform programs, departing from state developmentalism. It pursued successive deregulation and privatisation measures, reducing the scope of government intervention in the market and creating more transparent business-government relations (Walter 2006; Hatch 2010: ch. 8). This was because undue state intervention and tight relationship with the government impeded the private sector from displaying vigour for new innovation and breakthrough ideas in the matured economies like Japan.

This article found that a purposeful developmental orientation and institutionalised government-business relations constituted crucial characteristics of Japan's commitments to the export of infrastructure systems. Indeed Japan surely experienced reforms in domestic regulatory systems and business-government relations, but such reforms did not imply that policy-makers completely abandoned their aspiration for state-initiated economic development and industrial transformation. The theory of 'path dependence' in political institutions indicates that past policy ascriptions do not disappear in a short time span.⁶ This is because once a particular track begins, certain institutional arrangements are entrenched, which obstructs an easy reversal of the initial choice. In Japan, state developmentalism was long installed in political economic systems, making a remarkable achievement in economic development in the past, and thereby 'the state still matters in economic development – how it matters has changed considerably' (Wong 2004: 357).

In the new millennium with globalised economic activities, the government offers selective means such as foreign aid, public finance, and trade insurance in order to facilitate private actors' overseas business, and senior government leaders play a prominent role in creating the foundation for business expansion towards target countries. The government also advances close tie-ups with business groups in information sharing for policy formation and the joint implementation of policies for sustaining private companies' offshore business operations.

Pursuing twin goals in infrastructure exports

The promotion of domestic economic growth

The Japanese economy suffered from long-term economic stagnation after the early 1990s. The main cause of the stagnation was massive bad debts created by the bursting of a speculative asset price bubble. The bad debts provoked successive bankruptcies of financial institutions including Yamaichi Securities and Long-Term Credit Bank of Japan in 1997–98, and led to a serious balance sheet recession in which Japanese companies focused on saving rather than investing (Koo 2009, 2011). While financial problems surely constituted the main cause of economic stagnation, structural problems of the Japanese society offered fundamental challenges to Japan's economic growth.

The structural problems influenced economic growth from both supply and demand sides. In terms of supply side, there is a long-term prospect for a reduction in population and the acceleration of the aging society. The Japanese population is declining from 2008 – a peak population of 128 million –, and is projected to be 120 million in 2025 and 102 million in 2045 (MIC 2016). Such a decline naturally leads to a reduction in labour force population. The population of production age – from 15 to 64 years – in Japan was 77.1 million in 2015 and is projected to decrease by 17.8 per cent to 63.4 million in 2035. Japan has one of the most aging societies in the world. The ratio of 65 years and over in total population was 26.7 per cent in 2015, and is projected to be 33.4 per cent in 2035 (Cabinet Office 2016: 2–3). The aging society leads to a reduction in domestic saving. Japan's total domestic saving ratio – 33.7 per cent in 1990 – was the highest among advanced nations, but declined to 21.4 per cent in 2010 (Urata 2012: 101). The reduced domestic saving ratio implies a decline in domestic sources for investment. In terms of demand side, structural problems create sombre prospects for economic growth. The above-mentioned aging population combined with the dwindling birth ratio leads to a long-term decline in domestic consumption. The government with huge fiscal deficits will be unable to expand expenditures that work up substantial demands. On the contrary, growing public expenditures in social security and medical services will make fiscal conditions tighter, and stand in the way of economic growth.

An additional burden on the Japanese industry was a long-term yen appreciation. Even before the Lehman shock occurred in autumn 2008, the yen was purchased as a stable and safe currency. The value of the yen against the dollar rose from 122.6 yen in July 2007 to 76.7 yen in October 2011. The yen appreciation forced Japanese companies to accelerate the transfer of production bases and R&D facilities overseas and increase the procurement of parts from overseas. For instance, the ratio of overseas production for Toyota Corp. increased from 42 per cent in 2003 to 60 per cent in 2012. The 'hollowing-out' effects gradually robbed Japan of export competitiveness.

Given the above conditions, continuous economic growth relying heavily on the domestic market is unlikely, and the integration into the global market is a key to reinvigorate the Japanese economy. Although the Japanese economy seemed to grow in exploring external links with the manufacturing sector's penetration in the world market, macro-economic indicators show that this is not the case. The ratio of trade (exports and imports) and FDI (inward and outward flows) in total gross domestic product (GDP) is relatively low for Japan. Japan's trade/GDP ratio and FDI/GDP ratio in 2010 were 29.3 percent and 1.0 percent, respectively, which was far below the world average of 55.9 per cent and 4.4 per cent, respectively (Urata 2012: 102).

Indeed, Japan's export power has been sustained by industrial and technological strengths. However, such strengths have been heavily dependent on manufacturing sectors such as general machinery, motor vehicles, and electrical machinery. Not only have these sectors been confronted with rising competition in the global market but they have also accelerated the transfer of production bases overseas. As a consequence, the Japanese economy has gradually lost export competitiveness. The reduced export power is shown in several statistical data. Japan's share in the world export declined from 5.7 per cent in 2005 to 5.0 per cent in 2010 to 3.8 percent in 2013 (METI 2015: 69). Japan's reduced export performance is revealed in its share in imports of major East Asian countries. Between 2005 and 2014, Japan's share declined from 15.2 to 8.3 percent in China, 25.3 per cent to 15.3 per cent in South Korea, and 14.2 to 9.1 per cent in ASEAN-5 – Indonesia, Malaysia, the Philippines, Singapore, and Thailand (METI 2015: 85).

The drop in export share does not necessarily mean a decline in competitiveness of the Japanese industry insofar as such a drop results from an increase in offshore production. However, in most cases, the drop in exports reflected a shift in competitive advantage and forced companies to reformulate their corporate strategy. The comprehensive electrical manufacturers such as Hitachi, Ltd. and Toshiba Corporation faced decreases in the export of major consumer electrical products, and sought to gain revenues from sales in heavy electrical machineries represented by nuclear power plants. The sales of heavy electrical machineries cover not only the provision of hardware but also services in operation and maintenance after post-sales.

In order to maintain the position of an economic power, Japan was required to broaden the scope of industrial sectors that were capable of undertaking global operations beyond the narrow manufacturing sectors, and integrate these sectors into growth potential in the newly emerging markets. The fostering of new global companies was an answer to free from a dilemma between the maintenance of competitive edge of the Japanese industry and the prevention of the hollowing-out effects that invite high unemployment. The deployment of infrastructure systems was expected to provide larger opportunities for business profits. While Japan has strength in high quality of hard machineries and facilities, it can take advantage of know-how to plan a business model and to operate complicated facilities in a safe manner (Maeda 2013).

The Japanese government explicitly located the deployment of infrastructure systems as a key to revitalise the Japanese economy. In June 2013, the Abe cabinet formulated the 'Japan Revitalisation Strategy – Japan is Back –'. This government policy regarded the strategy of global outreach as one of three plans for growth strategy to encourage private investment, the third arrow of the *Abenomics*, following the first arrow – aggressive monetary policy – and the second arrow – flexible fiscal policy –. The three pillars of the global-outreach strategy were to establish strategic commercial relations, tap into the global market, and promote domestic globalisation. The infrastructure

export was a main item for obtaining the global market, and the government exhibited its determination 'to strengthen sales of Japanese products and services through an all-Japan, public-private effort, make at least ten sales pitches each year to foreign nations by the Prime Minister and ministers' (Prime Minister's Office 2013: 25).

In brief, the export of infrastructure systems was positioned as a key government strategy to revitalise the Japanese economy. The Japanese economy was confronted with multifaceted structural problems, which made it difficult for Japanese companies to get sufficient profits relying on the domestic market alone. In response to a shift in competitive advantage, the Japanese economy was required to broaden the scope of industrial bases for exports, not relying on manufacturing sectors alone. The Japanese government regarded infrastructure business that extended from manufacturing to services as an encouraging field to regain a growth engine for its economy.

The incorporation of geopolitical objectives

The deployment of infrastructure systems is a part of the Japanese government's policy to reinvigorate the national economy. At the same time, the government incorporated geopolitical consideration, which became apparent by examining its commitments to infrastructure development and the use of ODA pertinent to it in individual countries. This consideration was seen in Japan's support for infrastructure development in Cambodia. Japan has continuously sustained economic and social development of the country through the provision of ODA. While Japan paid attention to poverty reduction by providing funds for grassroots human security projects, it has committed to the development of infrastructure such as roads, bridges, and electrical transmission systems through yen loan and grant (Table 3). Japan has, in collaboration with the ADB, contributed to the development of the Southern Economic Corridor which stretches from Bangkok to Ho Chi Minh City through Phnom Penh. Japan has since 2013 committed to the improvement of National Road No.5, which is a part of the Southern Economic Corridor. Moreover, Japan engaged in the construction of the Neak Loeung [Tsubasa] Bridge, whose construction was completed in April 2015, making National Road No.1 cross the Mekong River. Japan's support for the Southern Economic Corridor (National Roads No.1 and No.5) was important to link Cambodia to the broader distribution networks in Southeast Asia.

Table 3. Japan's ODA for Infrastructure Projects in Cambodia (2009–14).

Project name	Fiscal year	Amount (¥100 million)	Aid type
Sihanoukville Port Multipurpose Terminal Development	2009	71.76	Loan
Construction of Neak Loeung Bridge	2009–14	121.79	Grant
Improvement of the National Road No.1	2010–14	15.18	Grant
Construction and Rehabilitation of Small Hydropower Plants in Rattanakiri Province	2012	12.06	Grant
Improvement of National Road No.5	2013–14	297.59	Loan
Expansion of Water Supply Systems in Kampong Cham and Battambang	2013–14	20.83	Grant
Phnom Penh City Electrical Power Transmission and Distribution System Expansion Project	2014	102.96	Loan
Improvement of the National Road No.1 Urban Section	2014	2.51	Grant

Source: Compiled by the author from data in Ministry of Foreign Affairs, Japan's ODA Data for Cambodia.

While Japan's support for infrastructure development in Cambodia aimed at upholding industrial development and improving the people's living conditions, the Abe cabinet began to employ infrastructure support as a lure to work with Cambodia to attain political security objectives. Prime Minister Abe has employed an occasion of the summit meeting to express his concern about Chinese behaviour in maritime security affairs. When a Japan-Cambodia summit was held in November 2015, Abe explicitly stated to his Cambodian counterpart Hun Sen that Japan is 'deeply concerned about unilateral changes to the status quo such as large-scale land reclamation, the building of outposts, and its use for military purposes' in the South China Sea, and that 'Japan is focusing on a peaceful resolution to the situation based on the principle of the rule of law at sea'. In this occasion, Abe delivered Japan's decision to provide a concessional loan of 17 billion yen for the improvement of National Road No. 5.

Cambodia's diplomatic position had significant implications in relation to the Philippine filing to the Permanent Court of Arbitration (PCA) regarding the South China Sea dispute. After the PCA's judgement on July 12, 2016, which was overwhelmingly in favour of the Philippine assertion, China stood in a defensive position and Cambodia became a major supporter for Beijing. Japan tried to change Cambodia's position through diplomatic commitments. During the 11th Asia-Europe Meeting summit in Mongolia in 15-16 July, Abe held a summit meeting with Hun Sen. Cambodia was one of six summit partners that Abe selected from 50 countries. Abe stated at the meeting that 'Cambodia is an important country that holds the key to the integration' of ASEAN, and expressed views that 'the opening of the Tsubasa [Neak Loeung] Bridge to traffic last year is a symbolic contribution by Japan' and that 'Japan continues to support Cambodia through initiatives such as exporting quality infrastructure, strengthening Mekong connectivity and developing industrial human resources'. Abe then stated that the PCA's award was final for both the parties concerned and was legally binding, regarding this issue a matter of the principle of the rule of law.⁷ Abe surely recognised Cambodia's crucial position in maintaining ASEAN's cohesion regarding the South China Sea issue, and attempted to change its posture to offer support for China's diplomatic stance by referring to Japan's continuous commitments to infrastructure development in the country.

Geopolitical considerations were also seen in Japan's infrastructure commitments to Vietnam and India. Japan provided Vietnam with yen loan for various fields including the construction of roads, power plants, an international airport, a city train, and so on. Among such fields, particularly important is the development of ports. JICA provided 21 billion yen in 2011 and 38 billion yen in 2013 as yen loan for sustaining the development of a new international port and related facilities in Lach Huyen, an eastern part of Hai Phong. In 2012, another yen loan was provided for developing the Cai Mep-Thi Vai international port. The development of ports contributes to smooth logistics operations and the promotion of economic development in Vietnam, as well as the strength of physical connectivity under the ASEAN Connectivity project. At the same time, support for the development of port infrastructure in Vietnam by using ODA funds has a geopolitical implication by raising the country's resiliency to counter China in disputes in the South China Sea. Vietnam is a major claimant in the disputes, and Japan, which holds similar maritime disputes with China in the East China Sea, has offered political support to its claim. From this baseline, Japan made efforts to strengthen relationships with Vietnam in maritime security and maritime safety. When Japanese Defence Minister Itsunori Onodera made a formal visit to Vietnam in September 2013, he visited the Vietnamese Navy's Fourth Fleet headquarters in Cam Ranh Bay and inspected the Navy's setup for

defence of the Spratly Islands. This visit implicated Japan's interests in Vietnam's defence in relation to the South China Sea dispute and Vietnam's willingness to place on the role Japan can play in its security (NIDS 2014: 156). Japan's use of ODA funds is tuned to the maritime security objective. For instance, when Foreign Minister Fumio Kishida made a formal visit to Hanoi in July 2014, Kishida and Vietnamese Minister for Planning and Investment, Bui Quang Vinh signed an exchange of notes concerning Japan's non-project aid with 500 million yen. Through this grant aid, Japan provided six used vessels and equipment such as lifeboats and radar, which would enhance Vietnam's maritime patrol capabilities.

In the case of India, infrastructure development was used as leverage to strengthen political and strategic links. During Prime Minister Abe's formal visit to New Delhi in December 2015, the two governments signed a memorandum of cooperation on high-speed railways and a memorandum of cooperation on technological cooperation in the railway sector. The cooperation on railway development became a crucial pillar for closer political and security links envisioned in 'Japan and India Vision 2025 Special Strategic and Global Partnership', issued by Abe and Indian counterpart Narendra Modi. In this statement, the two leaders upheld universal values such as democracy, human rights and the rule of law, open global trade regime, and freedom of navigation and overflight; reaffirmed their commitment to strengthening security ties 'through the full utilisation of "2+2 Dialogue", Defence Policy Dialogue, Military-to-Military Talks and Coast Guard to Coast Guard cooperation'; and underscored the importance of international law and peaceful resolution of disputes without use or threat of use of force, freedom of navigation and overflight and unimpeded lawful commerce in international waters.⁸

Japan has striven to improve economic and social conditions of the people and communities in Asian developing countries by providing ODA for social infrastructure and grassroots human security projects. In accordance with growing tension in maritime security affairs involving China, the Abe cabinet sought to take advantage of infrastructure development and the provision of ODA for this aim as toolkits to promote policy harmonisation in dealing with maritime security affairs, prop up maritime infrastructure, and advance political and strategic partnership.

China's initiatives in building regional institutions for infrastructure development exhibited a significant development in 2013. Chinese President Xi Jinping announced the establishment of the AIIB during his visit to Southeast Asia in October 2013. This proposal collected international attention, and in December 2015 the AIIB was formally launched with US\$100 billion in capital with 57 founding members. The AIIB as a multilateral developmental bank aims to provide funds for the development of infrastructure and other productive sectors such as transportation and telecommunications, energy and power, and rural infrastructure and agricultural development. Furthermore, the Chinese National People's Congress formally announced the 'One Belt, One Road Initiative' in March 2015, which comprises of the Maritime Silk Road and the Silk Road Economic Belt. This initiative has a strategic objective of advancing practical economic cooperation on infrastructure development and strengthening linkages with neighbouring states by relying on the distinctive values and ideas of the ancient Silk Road (Shiraishi 2016: 95).

China's new initiatives in infrastructure development stimulated Japan's counter actions in commitments to infrastructure development. The Partnership for Quality Infrastructure in May 2015 was Japan's strategic response to retain its influence in infrastructure development. The amount of US\$110 billion announced in the partnership

could be interpreted to rival the AIIB, which had a proposed capital of US\$100 billion. Moreover, Abe stated in the speech to announce the Partnership for Quality Infrastructure that 'we no longer want a "cheap, but shoddy" approach', stressing an importance to 'choose the long-lasting or high-quality item even if the price is a bit higher' by looking at the entire life-cycle.⁹ Given China's massive financial power to sustain growing demands for infrastructure development in Asia, Abe intended to contrast high-quality infrastructure investment against Chinese one that is characterised as less transparent in the bidding process and weak in governance standards for protecting the environments and local communities.

Japan sought to diffuse 'quality infrastructure investment' as common standards broadly considered in infrastructure building in the world. The Japanese government has undertaken joint activities with multilateral development banks such as the ADB, the World Bank and the Inter-American Development Bank in order to promote high-quality infrastructure projects in specific policy fields and deepen common understanding about major characteristics of the investment (MOF 2016). Moreover, at its hosted Ise-Shima Group of Seven (G-7) summit in May 2016, the Japanese government successfully made world leaders adopt 'Principles for Promoting Quality Infrastructure Investment' that comprised five pillars such as 'ensuring effective governance, reliable operation and economic efficiency in view of life-cycle cost', 'ensuring job creation, capacity building and transfer of expertise and know-how for local communities', and 'social and environmental impacts of infrastructure projects'.¹⁰

The theoretical implications of twin goals

The previous sections articulated evolved purposes in the infrastructure export initiative taken by the Japanese government. The purposeful government commitments to the export of infrastructure systems began during the DPJ era. While the DPJ cabinets recognised the importance of the export of infrastructure systems for improving the domestic economic stagnation, they did not regard it as a tool to advance geopolitical diplomatic objectives. The Abe cabinet envisioned, in the infrastructure export initiative, dual purposes of fostering economic growth domestically and consolidating Japan's geopolitical position externally. The export of integrated infrastructure systems was located as a main pillar to achieve an economic objective to reinvigorate the Japanese industrial sector. At the same time, geopolitical objectives to counter China's growing influence in Asia and maintain Japan's regional presence were pursued by forging closer ties with countries surrounding China and advancing original standards for infrastructure-building in rivalry with China's institutional initiatives.

This twin-goal orientation had significant implications in comparison with the past policy initiatives. On the one hand, Japan's traditional ODA or energy diplomacy did not involve a wide range of Japanese industries to be coordinated by the government and was not regarded as a crucial tool to boost domestic economic growth; it was more characterised by Tokyo's concerns of geopolitics in the context of world politics. On the other hand, these geopolitical concerns really did not play a major role when Japan promoted the export of manufacturing products such as automobiles and electronics.

The dual-objective foreign economic policy pursued by the Abe cabinet has two theoretical implications. The first is that the Abe cabinet's infrastructure export initiative could be regarded as an 'economic security' policy. Economic security, entering only in widespread usage since the 1990s, is an elusive concept with multi-dimensional

implications (Dent 2010). The term is used here as a state's purposeful foreign economic policy as a toolkit of 'statecraft' to enhance overall strategic and security advantages vis-à-vis other specific states or in the international system (Hirschman 1980; Baldwin 1985; Mastanduno 1998). A state takes advantage of economic activities such as trade, investment, and foreign aid as instruments to achieve its strategic and security policy objectives. In some cases, a state employs economic sanction measures such as restrictions on trade and investment, reductions in foreign aid, or the expropriation of foreign assets in order to wield pressure on the target government to obtain concessions on a specific diplomatic issue. In other cases, a state takes advantage of economic inducements such as a preferential trade agreement for market access, the provision of foreign aid, and the purchasing of foreign bonds in order to make other states support its diplomatic stance and thereby create favourable international environments.

Continuous economic growth enabled the Chinese government to strengthen arms build-up with steady growth of the military budget. Chinese leaders regard the maintenance of maritime security as China's core interests, and pursue assertive diplomatic and military postures on territorial disputes in the South China Sea and the East China Sea. These Chinese actions urged the Abe cabinet to employ trade policy and foreign aid as leverage to create favourable geopolitical environments in Asia. The government took advantage of support for infrastructure development as a crucial instrument to forge closer strategic links with countries surrounding China in checking its behaviour in maritime security affairs.

Secondly, Japan's pursuit of dual objectives in economic diplomacy is resonant with the Japanese government's 'comprehensive security' strategy of the early 1980s (Akaha 1991; Hughes 1999). In this strategy, the government considered national security with due attention to economic dimensions by expanding the objective of security maintenance from military defence and alliance maintenance to non-military aspects such as the reliable supply of raw materials and foodstuffs, as well as stable access to foreign markets for Japanese goods, and integrating economic means with political and security measures in achieving these objectives. In order to pursue this kind of national security, the government placed stress on pursuing diplomatic, economic, and defence measures. The measures include maintaining a strong military alliance with the United States, the creation of stable diplomatic relations with neighbouring states, and the establishment of closer ties with resource-rich nations.

The comprehensive security strategies in the 1980s and in the 2010s have a significant commonality that they derived from growing uncertainty in political and economic environments surrounding Japan. However, the content of the uncertainties differs in the two periods. In the 1980s, the uncertain environments resulted from complex political and economic factors such as the energy crises, global economic recessions and resultant trade frictions, as well as the start of the new Cold War. The uncertain climates surrounding Japan in the 2010s sprang largely from China's growing economic power and resultant assertive diplomatic and military postures. Such differences influence the main content of the strategy. In the 1980s, the Japanese government pursued the maintenance of favourable international environments for its national security by sustaining the liberal economic system that gradually eroded after the 1970s (Wan 1995; Kato 1998). In the 2010s, the Abe cabinet pursued the maintenance of Japan's political economy presence in Asia by checking China's regional influence and seeking to mitigate its regional power.

Conclusions

Given growing importance of infrastructure development in Asia, this article analysed Japan's engagement in this policy issue. It examined the development of institutions and strategies that the Japanese government has formulated to expand the export of infrastructure systems, and elucidated major characteristics found in such development. The article also sought to articulate domestic- and regional-oriented purposes that the government pursued in advancing the infrastructure export initiative.

While infrastructure development in Asian developing countries was a policy concern for the Japanese government from the late 1980s, the Abe cabinet formulated comprehensive strategies for expanding infrastructure exports and set up deliberative institutions to sustain the strategies. The government pursued integrated policies of public finance, foreign aid, and information sharing, and propped up success in Japanese companies' bidding for infrastructure projects through top-level sales activities by prime minister and other relevant ministers. Such government commitments were sustained by close relationships with business groups that delivered their requirements to the government through participation in advisory bodies and the submission of position papers. The government initiative and close government-business relations seen in the deployment of infrastructure systems reflect Japan's tradition of developmentalism.

The export of integrated infrastructure systems was located as a main pillar to achieve an objective to reinvigorate the Japanese industry. The structural problems and the yen appreciation gradually robbed relative competitive advantage of Japanese manufacturing sectors, reducing Japan's export power. The Japanese government found values in infrastructure business as a seed to refuel Japan's exports and stimulate a growth engine. In addition to the domestic-oriented economic objective, Japan incorporated geopolitical objectives in the infrastructure export initiative. The Abe cabinet took advantage of support for infrastructure development as leverage to promote political and strategic links, as well as policy harmonisation regarding maritime security affairs with Asian countries surrounding China. Such twin-purpose foreign economic policy is a major feature of the infrastructure export initiative that the Abe cabinet pushed forwards. Moreover, geopolitical orientation in the initiative implies that the Abe cabinet incorporates economic security elements to realise strategic objectives through economic means, and follows the comprehensive security strategy that Japan pursued in the 1980s.

As this article demonstrated, the Japanese government surely intensified its commitments to the export of infrastructure systems. From the broader and longer perspectives, there are two issues to be explored in relation to substantial outcomes from such commitments. First, it is less feasible to establish the complicated systems for building and managing infrastructure with Japanese companies and products alone. In order to offer better infrastructure systems, the Japanese government and companies have to search for feasible ways to incorporate foreign firms and products in Japanese infrastructure businesses. Second, Japan has to formulate prudent policies towards infrastructure development in relation to China. The Asian countries welcome both Japan and China's growing commitments to infrastructure development. In order to offer higher collective benefits to Asian countries, Japan needs to consider possible harmonisation with Chinese policies.

Notes

1. The STEP, which was introduced in July 2002, aimed to provide yen loan for projects in which Japanese technologies are used.
2. 'Infura projekuto senmonkan ichiran' [The list of special officials for infrastructure projects], 7 April 2016; accessed at <http://www.mofa.go.jp/mofaj/gaiko/infrastructure/senmonkan.html>, 16 March 2016.
3. 'Japan-India Summit Meeting', 14 November 2014; accessed at http://www.mofa.go.jp/s_sa/sw/in/page24e_000065.html, 19 October 2015.
4. *Yomiuri Shinbun*, 27 May 2013.
5. *Shukan Keidanren Times*, No. 3165, 13 February 2014; accessed at http://www.keidanren.or.jp/journal/times/2014/0213_03.html, 23 February 2016.
6. Path dependence is defined as 'the constraints on the choice set in the present that are derived from historical experiences of the past' (North 2005: 52).
7. http://www.mofa.go.jp/s_sa/sea1/kh/page3e_000513.html.
8. 'Japan and India Vision 2025 Special Strategic and Global Partnership: Working Together for Peace and Prosperity of the Indo-Pacific Region and the World', 12 December 2015; accessed at http://www.mofa.go.jp/s_sa/sw/in/page3e_000432.html, 25 September 2016.
9. 'The Future of Asia: Be Innovative - Speech by Prime Minister Shinzo Abe at the Banquet of the 21st International Conference on the Future of Asia', Thursday, 21 May 2015; accessed at http://japan.kantei.go.jp/97_abe/statement/201505/0521foaspeech.html, 15 March 2016.
10. 'G7 Ise-Shima Summit (May 26–27, 2016)', 27 May 2016; accessed at http://www.mofa.go.jp/ecm/ec/page24e_000148.html, 3 October 2016.

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