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Abstract: This article focuses on the export of infrastructure systems as Japan's new trade policy in the evolving regional environment. It seeks to address why and how the Japanese government has committed to the export of infrastructure systems to Asia in the fields of energy, telecommunications, transport, and water supply/sanitation. This article argues that while the Japanese government's engagement in the export of infrastructure systems aims to revitalize the Japanese economy, it also incorporate economic security objectives to strengthen political linkages with the emerging economies and balance China's growing influence in Asia. It also contends that the Japanese government took advantage of developmental means of interventionist policies and government-business collaboration in sustaining the export of infrastructure systems.

Keywords: Japan, trade policy, infrastructure systems, developmentalism, economic security

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 such as transportation, energy, telecommunications, water supply and sanitation. Japan and South Korea in addition to major western countries find the source of economic vitalization in expanding the export of infrastructure systems to the newly emerging economies in Asia.

The Japanese government under Prime Minister Shinzō Abe has striven to revitalize the long-stagnated Japanese economy and foster new sources of economic growth. In order to attain this policy goal, 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 side, Abe intensified proactive diplomatic postures, pursuing 'the diplomacy taking a panoramic perspective of the world'. Under this slogan, Abe held 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 new trade policy in the evolving regional environment. It seeks to address why and how the Japanese government has committed to the export of infrastructure systems to Asia. This article argues that while the Japanese government's engagement in the export of infrastructure systems aims to revitalize the Japanese economy, it also incorporates economic security objectives to strengthen political linkages with the emerging economies and balance China's growing influence in Asia. It also contends that the Japanese government took advantage of developmental means of interventionist policies and government-business collaboration in sustaining the export of infrastructure systems.

This article is organized as follows. In the following section, I present an analytical framework that is based on dual objectives and one means in trade policy. The second section takes a brief look at the Japanese government's institutional commitments to the export of infrastructure systems. The following two sections elucidate two objectives in the Japanese government's commitments to the deployment of infrastructure systems overseas. The fifth section examines developmental means to attain such objectives.

State Developmentalism, Regional Evolutions, and Japan's Trade Policy

The interpretation of Japan's economic development became a source of debate especially after the publication of Chalmers Johnson's seminal work.[1] Okimoto and Calder, while undertaking studies with the broader scope of research interests and policy fields, generally give support to Johnson's view that Japan's interventionist policies made significant contributions to Japan's rapid economic growth.[2] Furthermore, Okazaki and Okuno-Fujiwara hold that Japan's economic reconstruction after the Second World War was promoted through the government's control of competition and the planned allocation of resources, which were taken over from the planned and controlled systems during the war period.[3]

Several scholars have casted doubt on the positive role of the government and the effectiveness of interventionist policies in Japan's economic growth. Miwa and Ramseyer argue that the Japanese government did not have explicit and concrete policy objectives and concrete policy measures to realize the objectives, and in this sense interventionist policies were not implemented in the post-war Japan.[4] Moon and Prasad hold that central bureaucrats, the most important agents of state structure, did not necessarily pursue persistent policy objectives because they were constrained by other political forces, being often trapped into inter-agency rivalries, compartmentalization, and sectionalism.[5] Furthermore, some studies, which have examined the nature of industrial policy in specific policy areas, doubt the effectiveness of industrial policy. Callon, which focused on industrial policy in high-technology sectors, contends that Japanese industrial policy was neither particularly cooperative nor successful because

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[1] Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975* (Stanford: Stanford University Press, 1982).

[2] Daniel I. Okimoto, *Between MITI and the Market: Japanese Industrial Policy for High Technology* (Stanford CA: Stanford University Press, 1989); and Kent Calder, *Strategic Capitalism: Private Business and Public Purpose in Japanese Industrial Finance* (Princeton, N. J.: Princeton University Press, 1993).

[3] Tetsuji Okazaki and Msahiro Okuno-Fujiwara, "Gendai nihon no keizai shisutemu to sono rekishiteki genryū," in *Gendai nihon keizai shisutemu no genryū*, eds. Tetsuji Okazaki and Msahiro Okuno-Fujiwara (Tokyo: Nihon keizai shimbunsha, 1993).

[4] Yoshiro Miwa and J. Mark Ramseyer, *Sangyō seisaku-ron no gokai* [The misunderstanding of industrial policy theory] (Tokyo: Toyo keizai shimposha, 2001).

[5] Chung-in Moon and Rashemi Prasad, "Networks, Politics, and Institutions," in *Beyond the Developmental State: East Asua's Political Economies Reconsidred*, eds. Steve Chan, Cal Clark and Danny Lam (London: Macmillan, 1998), 11-12.

the industrial policy-making process was torn by conflict and cooperation and the government found more difficulty in pushing out on technology frontier.[6] Hashimoto concludes that while there are differences in terminology and analytical method, Johnson and subsequent works undoubtedly overestimated the role of government in industrial development in Japan.[7]

The skeptical views on effective industrial policy surely revealed that concrete empirical analyses did not support the broadly accepted interpretation of the government's positive role in industrial development in the post-war Japan. However, it is inappropriate to deny completely the effectiveness of interventionist policies that designed to provide market actors with incentives to survive in market competition through technological innovation and cost reduction. Murakami provides a useful framework to understand appropriate interventionist policies in terms of the state's basic strategy of developmentalism.[8] He regards policies for fostering promising new industries, developing small and medium-sized firms, and realizing distributive equality as essential elements in a prototype for developmentalism.[9] The export promotion policy is one of such prototype elements in that the state needs trade surplus to import resources it lacks and to make interest payments on or to repay capital inflows from other countries.

After the late 1990s, the Japanese government sought to revitalize its depressed economy by adopting neoliberal reform programs, departing from the developmental state paradigm. It pursued successive deregulation and privatization measures, reducing the scope of government intervention in the market and creating more transparent business-government relations.[10] This was because undue state intervention and tight

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[6] Scott Callon, *Divided Sun: MITI and the Breakdown of Japanese High-Tech Industrial Policy, 1975-1993* (Stanford, CA: Stanford University Press, 1995).

[7] Juro Hashimoto, *Sengo nihon keizai no seichō kōzō: kigyō shisutemu to sangyō seisaku no bunseki* [The growth structure of the post-war Japanese economy: The analysis of the corporate system and industrial policy] (Tokyo: Yuhikaku, 2001), 179.

[8] Yasusuke Murakami, *An Anticlassical Political Economic Analysis* (Stanford CA: Stanford University Press, 1996).

[9] Murakami, *An Anticlassical Political Economic Analysis*, 189-204.

[10] Andrew Walter, "From Developmental to Regulatory State: Japan's New Financial Regulatory System," *Pacific Review*, 19, no.4 (2006): 405-28; and Walter F. Hatch, *Asia's Flying Geese: How Regionalization Shapes Japan* (Ithaca, N.J.: Cornell University Press, 2010), ch.8.

relationship with the government impeded the private sector from displaying vigor for new innovation and breakthrough ideas in the matured economies like Japan.

Certainly, Japan experienced the demise of a developmental state, advancing neoliberal reforms in the domestic society. Nonetheless, such domestic reforms did not imply that policymakers completely abandoned their aspiration for state-guided economic and social development. The theory of ‘path dependence’ in political institutions indicates that past policy ascription does not disappear in a short time span.[11] 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. As Wong argues, ‘the state still matters in economic development – *how* it matters has changed considerably’.[12]

This article aims to re-examine Japan’s trade policy after 2010 in terms of developmentalism and evolving environments surrounding Japan. In so doing, it formulates an analytical framework in terms of objective and means of trade policy. Japan is forced to set up a renewed policy objective in response to evolutions in the international economy. In the new millennium, the growth of the newly emerging economies changed the basic configuration of the world economy. The share of Brazil, Russia, India and China (BRICs) in the world gross domestic product (GDP) increased from 13.1 percent in 2007 to 20.8 percent in 2013 while that of advanced nations declined by 10 percent from 71.7 percent to 61.3 percent in the same period.[13] In particular, China’s performance is outstanding, reaching its export values equivalent to that of North American Free Trade Agreement (NAFTA) members by 2013.[14] Moreover, the manufacturing industry has gradually become obsolescent in advanced

[11] Path dependence is defined as ‘the constraints on the choice set in the present that are derived from historical experiences of the past’ (Douglass C. North, *Understanding the Process of Economic Change* (Princeton, N.J.: Princeton University Press, 2005), 52).

[12] Joseph Wong, “The Adaptive Developmental State in East Asia,” *Journal of East Asian Studies* 4, no.3 (2004): 357.

[13] Ministry of Economy, Trade and Industry (METI), *Tsushō hakusho 2014* [White paper on international economy and trade 2014] (Tokyo: Katūmi insatū, 2014), 5.

[14] METI, *Tsushō hakusho 2014*, 6.

nations. In the past, the mass production of manufacturing goods was possible in a limited number of advanced nations. With decreasing costs on communications and logistics as well as the transfer of manufacturing technologies, the production of manufacturing goods proliferated to various parts of the world. In particular, the newly emerging economies raised their position as the base for a wide range of manufacturing products, and major manufacturing companies in advanced nations accelerated inroads into these economies. In order to avoid the 'hollowing-out' of the domestic industry, advanced nations need to develop new sources of industrial bases especially in the services sector.

Japan's economic status in the world has gradually declined partly because of rising competition with the newly emerging economies. In particular, Japan suffers from a shift in competitive advantage through the declining power of the previously competitive manufacturing industry. Accordingly, as the case in the 1960s and 1970s, the Japanese government regards the vitalization of the economy as the primary national objective, and engages intensively in the development of new industrial sectors in order to search for the source of economic vigor. Trade policy is used to foster new industrial sectors with international competitiveness.

Significant evolutions in the environments surrounding Japan were also seen in the geopolitical dimension. The growing economic power of the newly emerging economies has gradually changed a gravity of political power. The main institution to discuss international economic affairs shifted from the Group of Seven/Eight (G-7/8) of advanced nations to the Group of Twenty (G-20) that contains the newly emerging economies. The G-20 has raised its political presence with the legitimacy in that the members of the group represent two-thirds of world population and over 90 percent of world economic output.[15] The G-20 meetings, after its first summit in November 2008, became a main locus to discuss global economic affairs including necessary measures to the global financial crisis and the International Monetary Fund (IMF) reforms. Significantly, some newly emerging economies changed its economic power into security build-up and assertive diplomatic postures. This was typically the case with

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[15] Stefan A. Schirm, "Global Politics Are Domestic Politics: A Social Approach to Divergence in the G20," *Review of International Studies* 39, no.3 (July, 2013): 687.

China. 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.

In response to the geopolitical evolutions, Japan incorporates 'economic security' elements in formulating external economic policy. Economic security, entering only in widespread usage since the 1990s, is an elusive concept with multi-dimensional implications.[16] The term is used here as a state's purposeful diplomatic policy orientation as toolkits of 'statecraft' to enhance overall strategic and security advantages *vis-à-vis* other specific states or in the international system.[17] A state takes advantage of economic inducements such as preferential trade agreements for market access, the provision of foreign aid, and the purchasing of foreign bonds in order to attract more states to its side and thereby create a favorable geopolitical environment. Japan employs trade policy as a toolkit to create favorable geopolitical environments in evolving regional politics by balancing against a state in political and security tensions and pursuing closer political links with the emerging countries.

In terms of means, Japan seeks to take advantage of state developmentalism in externally-oriented, selective intervention and institutionalized government-business collaboration. In the growth period in the 1960s and 1970s, the Japanese government sought to foster domestic industries through the provision of incentives such as special tax treatment, low-interest policy finance, research and development (R&D) subsides as well as regulatory measures such as administrative guidance and regulations on market entry.[18] In the new millennium with a more globalized world, the government offers selective means such as foreign aid, public finance, and trade insurance in order to

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[16] Christopher M. Dent, "Economic Security," in *Contemporary Security Studies* ed., Alan Collins (Oxford: Oxford University Press, 2007), 206.

[17] Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1980); David A. Baldwin, *Economic Statecraft* (Princeton, N.J.: Princeton University Press, 1985); and Michael Mastanduno, "Economics and Security in Statecraft and Scholarship," *International Organization* 52, no.4 (1998): 825–54.

[18] Ryutaro Komiya, Masahiro Okuno, Kotaro Suzumura eds., *Nihon no sangyō seisaku* [Industrial policy of Japan] (Tokyo: Tokyo daigaku shupankai, 1984).

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.

In summary, this article sets up a framework comprised of dual objectives and developmental means for Japan's trade policy. The trade policy is formulated to pursue economic objectives to respond to a shift in competitive advantage by regaining the vitality of the Japanese economy through the development of new industrial sectors. At the same time, the trade policy is used to pursue economic security objectives to create favorable political and security environments in evolving geopolitical conditions in Asia. The Japanese government takes advantage of state developmentalism as a means to promote trade policy in the form of state-led initiatives and institutionalized government-business collaboration.

This framework is used for an analysis of Japan's trade policy in a new field: the export of infrastructure systems. While the development of infrastructure is regarded as an important foundation for attracting foreign direct investment (FDI) and sustaining economic growth in the world, it is particularly important in Asia where the newly emerging economies represented by China, India and Indonesia have exhibited robust economic growth. The steady economic growth has produced an increasing demand for the development of infrastructure. In fact, infrastructure investment in energy, telecommunications, transport, and water/sanitation in Asia is estimated to be $8 trillion in 2010-20.[19] Japan finds renewed interests in exporting 'integrated infrastructure systems' to Asian countries.[20]

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[19] Asian Development Bank, *Infrastructure for a Seamless Asia* (Tokyo: Asian Development Bank Institute, 2009), 167.

[20] The 'integrated infrastructure systems' mean 'package-type' infrastructure, which includes not only design, equipment and facility procurement, and construction but also management, operation, and maintenance, which produce long-term revenues. In infrastructure business, the newly emerging economies have comparative advantage in offering relatively inexpensive funds for projects. In constant, Japan has comparative advantage in offering high-quality infrastructure in terms of high-level technologies, reliable safety, and low life-cycle costs (Satoshi Shimizu, "Ajia ni okeru infra fainansu: genjō to kadai" [Infrastructure finance in Asia: The current state and problems], *Kan taiheiyō bijinesu jōhō RIM* 15, no.59 (2015): 111).

The Government's Institutional Commitments to Infrastructure Export

Substantial discussions on the export of integrated infrastructure systems began during the Democratic Party of Japan (DPJ) period. The DPJ cabinets in 2009-2012 advanced policies and measures to support Japanese companies' advancement in overseas infrastructure projects. The New Growth Strategy, formulated in June 2010, stipulates 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 by 2020.[21] 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 election 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 internationalization of educational institutions'.[22] After the election, 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

[21] Cabinet Decision, 'On the New Growth Strategy', 18 June 2010. http://www.meti.go.jp/english/policy/economy/growth/report20100618.pdf.

[22] Liberal Democratic Party (LDP), *Jiyū minshu-to seiken seisaku, manifesto* [The LDP's policy platform for government, Manifesto] (Tokyo: Jiminto honbu, 2012), 8.

of the Japan Economic Revitalization Headquarters in January 2013.[23] 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 of other six relevant ministers became the key headquarters to discuss the government's policies for infrastructure exports that involved various ministries. The meeting was held 23 times between March 2013 and February 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 in 2010 to ¥30 trillion by 2020. The attached document contained concrete sales targets in major fields: ¥9 trillion, ¥7 trillion, and ¥6 trillion 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, the Japanese government strengthened its commitments to infrastructure support for 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 mobilization of Japan's economic cooperation tools; collaboration between Japan and the Asian Development Bank (ADB); the doubling of funds for projects with relatively

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[23] Kazuo Inaba, "Kōtū infura yushutū shien seisaku ni tūite," *Unyu Seisaku Kenkyu* 16, no.1 (2013): 87.

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.[24]

Infrastructure Exports and the Vitalization of the Economy

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.[25] While financial problems surely constituted the main cause of economic stagnation, structural problems of the Japanese society offered serious 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 112 million in 2025 and 92 million in 2045.[26] Such a decline naturally leads to a reduction in labor force population. The labor force population in Japan was 65.8 million in 2013 and is projected to decrease by 18 percent to 56.8 million in 2030. Japan has one of the most aging societies in the world. The ratio of 65 years and over in total population was 25.1 percent in 2010, and is projected to be 33.4 percent in 2035.[27] The aging society leads to a reduction in domestic saving. Japan's domestic saving ratio – 33.7 percent in

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24 Mitsuya Araki and Masato Kanda "Cho-yūshikisha jyōgai hiyaringu shirizu: Keizai kyōryoku" [The off-field hearing series of super-intellectuals 42: Economic cooperation] *Finansu* (April 2015): 67-68.

25 Richard Koo, *The Holy Grail of Macroeconomics-Lessons from Japan's Great Recession* (Singapore: John Wiley & Son, 2009); and Richard Koo, "The World in Balance Sheet Recession: Causes, Cure, and Politics," *Real-World Economics Review* 58, no.12 (2011): 19-37.

26 Ministry of Internal Affairs and Communications, Statistics Bureau, "Statistics Japan". http://www.stat.go.jp/data/nihon/02.htm.

27 Cabinet Office, *White Paper on the Aged Society, 2014*, 2-3. http://www8.cao.go.jp/kourei/whitepaper/w-2014/zenbun/26pdf_index.html.

1990 – was the highest among advanced nations, but it declined to 21.4 percent in 2010.[28] The reduced domestic saving ratio implies a decline in domestic sources for investment. In terms of demand side, structural problems create somber 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 to 122.64 yen in July 2007 to 76.72 yen in October 2011.[29] 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 percent in 2003 to 60 percent in 2012. The ‘hollowing-out’ effects gradually robbed Japan of export competitiveness.

Given the above conditions, continuous economic growth relying on the domestic market heavily 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 linkages 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 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 percent and 4.4 percent, respectively.[30]

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[28] Shujiro Urata, “TPP to nihon keizai no saisei” [TPP and the revitalisation of the Japanese economy] in *Nihon no TPP senryaku: kadai to tenbō* [Japan’s TPP strategy: Issues and perspectives] in Keiichi Umada, Shujiro Urata, and Fukunari Kimura, eds. (Tokyo: Bunshindo, 2012), 101.

[29] Ministry of Economy, Trade and Industry (METI), *Tsushō hakusho 2013* [White Paper on International Economy and Trade 2013] (Tokyo: Katūmi insatū, 2013), 9.

[30] Urata, “TPP to nihon keizai no saisei”, 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 exports declined from 5.7 percent in 2005 to 5.0 percent in 2010 to 3.8 percent in 2013.[31] Japan's reduced export performance is revealed in its share in total imports of major East Asian countries. Between 2005 and 2014, Japan's share declined from 15.2 percent to 8.3 percent in China, 25.3 percent to 15.3 percent in South Korea, and 14.2 percent to 9.1 percent in ASEAN-5 – Indonesia, Malaysia, the Philippines, Singapore, and Thailand.[32]

The drop in export share does not necessarily mean a decline in competitiveness of Japanese products 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 is required to broaden the scope of industrial sectors that are 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 could provide a profitable

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[31] Ministry of Economy, Trade and Industry (METI), *Tsushō hakusho 2015* [White Paper on International Economy and Trade 2015] (Tokyo: Katūmi insatū, 2015), 69.

[32] METI, *Tsushō hakusho 2015*, 85.

business chance. While Japan has strength in high quality of hard machines and facilities, it can take advantage of know-how to plan a business model and to operate complicated facilities in a safe manner.[33]

The Japanese government explicitly located the deployment of infrastructure systems as a key to revitalize the Japanese economy. In June 2013, the Abe cabinet formulated the 'Japan Revitalization 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 are to establish strategic commercial relations, tap into the global market, and promote domestic globalization. The infrastructure export is 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'.[34]

In brief, the export of infrastructure systems was positioned as a key government strategy to revitalize 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, Japan 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.

Infrastructure Exports as Responses to Changes in Geopolitical Environments

The export of integrated infrastructure systems is a part of the Japanese government's strategy to sustain the national economy. At the same time, the government incorporated

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[33] Maeda, "'Seichō senryaku' no kirifuda, 'infura yushutū' de semeru," [Picking up a win with the 'export of infrastructure', the trump card of the 'growth strategy'], June 2013, FACTA online. http://facta.co.jp/article/201310022.html.

[34] Prime Minister's Office, "Japan Revitalization Strategy: Japan is Back," 14 June 2013. http://www.kantei.go.jp/jp/singi/keizaisaisei/pdf/en_saikou_jpn_hon.pdf.

economic security considerations to infrastructure deployment, and such considerations were particularly salient for the Abe cabinet. Abe has undertaken ‘the diplomacy taking a panoramic perspective of the world’, which covers the entire regions on the globe including Latin America, Oceania, and Africa. However, its priority is given to specific countries in Asia. Abe selected Southeast Asia as the destination of its first foreign visit, and completed the visiting of all ten ASEAN members by visiting Cambodia and Laos in November 2013. Abe also put stress on forging closer political linkages with Mongolia (making a formal visit in March 2013) and India (inviting Prime Minister Manmohan Singh to Tokyo in May 2013). Mongolia, Southeast Asia, and India are major countries and region surrounding China, and some Southeast Asian countries as well as Mongolia and India have raised their security concern about China’s ascendancy and resultant aggressive diplomatic postures. Abe hoped to share such concern with leaders of these countries. In holding summit meetings with the leaders, the export of infrastructure systems and the provision of official development assistance (ODA) pertinent to it became crucial agendas, being regarded as catalysts in forging closer political ties.

Importantly, Abe took advantage of ideational elements in undertaking economic diplomacy. During the first Abe cabinet in 2007-8, Abe pushed forwards the concept of ‘value-oriented diplomacy’, which places emphasis on the universal values such as democracy, freedom, human rights, the rule of law, and the market economy in advancing Japan’s diplomatic endeavors.[35] During the second cabinet, Abe did not refer to the value-oriented diplomacy in the formal manner. Yet, he did not dismiss the value of the concept. In the policy address in January 2013, Abe stressed the need ‘to develop a strategic diplomacy based on the fundamental values of freedom, democracy, basic human rights, and the rule of law’.[36] The Japanese government sought to strengthen political linkages with Asian countries surrounding China both by providing support for material infrastructure development, on the one hand, and by taking advantage of

[35] Hidetaka Yoshimatsu, “Identity, Policy Ideas, and Asian Diplomacy: Japan’s Response to the Rise of China,” *International Area Studies Review* 15, no.4 (2012), 359-76.

[36] “Policy Speech by Prime Minister Shinzō Abe to the 183rd Session of the Diet, Monday, 28 January 2013.” http://japan.kantei.go.jp/96_abe/statement/201301/28syosin_e.html.

ideational values as a diplomatic rationale to legitimate Japan's links with these countries, on the other.

Japan's economic security considerations become more apparent in examining its commitments to individual countries. This was typical for the deployment of infrastructure systems in Myanmar. Geopolitically, Myanmar is located as a linchpin linking South Asia, Southeast Asia, and the south-western part of China, enabling China to secure a direct land route to connect to the Indian Ocean. Moreover, the country holds a relatively large population of 53 million and rich natural resources such as petroleum, natural gas, and other mineral substances. For more than two decades after the military coup in 1988, Myanmar was isolated in the world due to the authoritarian control and the violation of human rights, and maintained close diplomatic relations with China.

After a transition to civilian rule in early 2011, the new government implemented a series of political reforms that included the release of political prisoners, relaxation of press and internet censorships, and the adoption of new labor laws that allow unions and strikes.[37] In its external policy, the new government began to keep distance from China. In September 2011, Thein Sein, President of Myanmar, announced that the construction of the Myitsone Dam, a project between the government and the state-owned China Power Investment Corporation, be suspended during his presidential term. Myanmar's political reforms threw a shadow over economic relations with China. Chinese FDI into Myanmar decreased dramatically from US$1,521 million in 2010 to US$671 million in 2011 and to US$482 million in 2012.[38]

Japan regarded the regime change in Myanmar as a golden opportunity to attract the country to it and other western countries. In the political circle, three Dietmen's leagues regarding Myanmar were merged into one league under the leadership of Hideo Watanabe, former Minister of Posts and Telecommunications.[39] The members of the league sought to give support to Myanmar's reform initiatives by way of meetings with senior leaders and the dispatch of a mission to Naypyitaw. The Japanese government

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[37] Yun Sun, "China and the Changing Myanmar," *Journal of current Southeast Asian Affairs* 31, no.4 (2012), 52-53.

[38] *ASEAN Statistical Yearbook 2014*, 124.

[39] Akinori Seki, "Myanma giren mo hitotū ni kesshu," [Even Dietmen's leagues are united], Diamond Online, 27 December 2012. http://diamond.jp/articles/-/29971.

strengthened political linkages with Myanmar through the exchange of senior government leaders. In May 2013, Prime Minister Abe made a formal visit to Myanmar as Japanese Prime Minister for the first time in 36 years. Abe also held a summit meeting with Thein Sein in December. The ministers of the Ministry of Economy, Trade and Industry (METI), the Ministry of Finance (MOF), and MLIT also made a formal visit to Myanmar.

In strengthening political linkages with Myanmar, ODA became a crucial means. The amount of grant aid increased from US$19.7 million in 2011 to US$54.8 million in 2013, and yen loan resumed in 2013. Importantly, the development of infrastructure became a main pillar of Japan's ODA for Myanmar. In December 2012, the governments of Japan and Myanmar signed the memorandum on cooperation for the development of the Thilawa special economic zone. Afterwards, the Japanese government provided huge ODA for this objective. In 2013, JICA provided ¥20 billion loan to expand port terminals at the Thilawa area. The agency offered additional ¥4.6 billion loan in 2014 in order to expand a road to link Thilawa and Yangon city.

Japan's positive commitments to Myanmar had geopolitical objectives to help the country to embed democratic reforms and constrain China's influence on the country. Such factors were revealed in the joint statement, issued during Prime Minister Abe's visit to Naypyitaw in May 2013. While Thein Sein pledged to continue efforts to engage in democratization, enhancement of the rule of law, economic reform and national reconciliation, Prime Minister Abe reiterated Japan's willingness to sustain such efforts. Japan regarded that the stability of the democratic system and the market economy were heavily dependent on steady economic growth, which were sustained by continuous inflow of FDI coupled with the development of infrastructure. This point was particularly important because in Myanmar underdevelopment of infrastructure, compared with other ASEAN members, was a substantial hurdle to attract FDI from other countries.

Geopolitical considerations were seen in Japan's infrastructure commitments to Vietnam. Although Vietnam is not a country that share universal values such as democracy and freedom, Japan has sought to forge closer economic and political linkages. While Japan's trade with Vietnam increased from US$11.5 billion in 2006 to

US$25.3 billion in 2013, Japan's accumulated FDI into Vietnam reached US$34.6 billion by 2013, becoming the primary investing country. The two countries have deepened political linkages since they forged a strategic partnership in 2009. Japan's political commitments to Vietnam strengthened during the Abe cabinet. Abe selected Vietnam as the destination for his first foreign visit in January 2013, and confirmed Japan's strong support for Vietnam's development.

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 ¥21.0 billion in 2011 and ¥38.0 billion 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 activities and the promotion of economic development in Vietnam as well as the strength of physical connectivity under the ASEAN Connectivity project.[40]

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 Defense 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 defense of the Spratly Islands. This visit implicated Japan's interests in Vietnam's defense in relation to the South China Sea dispute and Vietnam's willingness to place on the role Japan can play in its security.[41] Japan's use of ODA funds is tuned to the maritime security objective. For instance,

[40] The ASEAN Connectivity consists of three pillars of connectivity: physical, institutional, and people-to-people linkages. The physical connectivity includes economic corridors on the land and maritime economic corridors in the sea.

[41] National Institute for Defense Studies, *Higashi ajia senryaku gaikan [East Asian strategic review]* (Tokyo: Jihyōsha, 2014), 156.

when Foreign Minister Fumio Kishida made a formal visit to Hanoi in August 2014, Kishida and Vietnam's Minister for Planning and Investment, Bui Quang Vinh signed an exchange of notes concerning Japan's non-project aid with ¥500 million. Through this grant aid, Japan provided six used vessels and equipment such as lifeboats and radar, which would enhance Vietnam's maritime patrol capabilities.

The provision of ODA for infrastructure development was integrated into a strategic objective of strengthening political linkages with recipient countries. The Abe cabinet incorporated economic security objectives by forging closer political links with countries surrounding China and using support for infrastructure development as a catalyst in linkages. In the cases of Myanmar and Vietnam, Japan supported the development of infrastructure systems with an expectation that infrastructure development and resultant economic growth allow the two countries to gain more political autonomy from China and enhance maritime capabilities.

China's new initiatives in infrastructure development in Asia exhibited a significant evolution 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 the AIIB was formally launched in December 2015 with 57 founding members.[42] 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 the neighboring states by relying on the distinctive values and ideas of the ancient Silk Road.[43]

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[42] While all ASEAN members, South Korea, and Australia became the founding members of the AIIB, Japan and the United States did not join the bank.

[43] Takashi Shiraishi, *Kaiyō ajia vs. Tairiku ajia* [The maritime Asia v.s. the continental Asia] (Tokyo: Mineruva shobō, 2016), 95.

China's new initiatives in infrastructure development stimulated Japan's counter action 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. In a speech to announce the partnership project, Abe stated 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 lifecycle.[44] This statement intended to contrast Japan's approach to that of China, which tends to lack transparency and governance standards for cost effectiveness and environmental protection.

Developmental Means for Export Expansion

Since infrastructure development is normally planned and carried out under the strong initiative of national or local governments, commitments by private actors 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 difficulty in preparing for huge capital and likely risks accompanying the injection of large investment.[45] 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.[46] These are reasons why the Japanese government strengthened interventionist policies to sustain private companies' commitments to the export of infrastructure systems.

The 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

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44 "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. http://japan.kantei.go.jp/97_abe/statement/201505/0521foaspeech.html.

45 Satoshi Shimizu, "Ajia ni okeru infra fainansu: genjō to kadai" [Infrastructure finance in Asia: The current state and problems], *Kan taiheiyō bijinesu jōhō RIM* 15, no.59 (2015): 86-92.

companies' participation in Public Private Partnership (PPP) projects. Since the PPP projects for infrastructure often take the Build, Operate and Transfer (BOT) method, they tend to be a risky business with a 20-30 project period.[47] Accordingly, the government's loan support is very effective in urging the business 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).[48] Furthermore, the government began to take advantage of grant for a part of initial investment for business, and thereby sustain Japanese companies' winning of overseas business in 2014. 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 (NEXI) strengthened its functions by expanding the insurance scope to risks associated with business suspension due to terrorism, a war, and so on, and to businesses by overseas subsidiaries. Importantly, the government set up new organizations to provide financial support for Japanese companies' infrastructure exports in specific sectors. One example is the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN), which was established in October 2014 as the first government-private sponsored fund that specializes in overseas infrastructure investment. The JOIN aimed to help Japanese companies' winning of overseas projects in bullet train, underground, airport, or green city, which expect the large amount of operational income in return of high responsibility of initial cost. Another example is the Japan ICT Fund (JICT), which was set up in November 2015 in order to assist Japanese companies in investing in overseas projects in the fields of telecommunications, broadcasting, and postal service.

The provision of ODA and private-sector investment finance was the soft form of government intervention designed to provide private companies 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

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[46] Inaba, "Kōtū infura yushutū shien seisaku ni tūite," 88.

[47] Kazuyuki Motohashi, *Gurōbaru keiei senryaku* [Global management strategy] (Tokyo: Tokyo daigaku shupankai, 2013), 94.

[48] The STEP, which was introduced in July 2002, aimed to provide yen loan for projects in which Japanese technologies are used.

accompany 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 February 2016, the number of officials reached 54 in 17 establishments located in Asia.[49] 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 play a distinctive role in the expansion of overseas infrastructure business. The top-level sales diplomacy became 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 of 32 in 2014. In addition to Prime Minister, ministers of 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.[50] 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 1). 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

[49] "Infura projekuto senmonkan ichiran [The list of special officials for infrastructure projects]," 7 April 2016. http://www.mofa.go.jp/mofaj/gaiko/infrastructure/senmonkan.html.

[50] Cabinet Secretariat, "Wagakuni no gijutū wo ikashita infura yushutū no kakudai ni mukete," March 2014, 3. www.kantei.go.jp/jp/singi/keikyou/pdf/pamphlet.pdf.

governments signed a memorandum of cooperation on high-speed railways for the Mumbai-Ahmedabad high speed rail corridor, which confirmed the use of Japanese high-speed rail technologies (the *Shinkansen* system) and experiences. This successful accomplishment was a result of top-level sales 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. During a summit meeting with newly elected Indian Prime Minister Narendra Modi in November 2014 on the sidelines of the 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.[51]

Table 1 **The Major Outcomes of Top-Level Sales Pitches**

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
Philippines	Digital television standards	n.a.	Jul. 2013	Nov. 2013
India	*Shinkansen* system	1.8 trillion	Jan. 2014	Dec. 2015

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

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. The chairman or senior executives of Nippon Keidanren went together in these missions. Importantly, Abe himself proposed an idea of making corporate executives accompany his foreign visits. Unlike

[51] "Japan-India Summit Meeting", 14 November 2014. http://www.mofa.go.jp/s_sa/sw/in/page24e_000065.html.

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 in visiting countries had strong interests in.[52]

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' sales of Japan's high-standard 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 bargaining on advancing concrete infrastructure projects.

As already explained, the government found geopolitical values in the export of infrastructure systems. This does not imply that private actors were forced to harmonize their operations to the government's political objectives. 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. In its 2009 position paper, for instance, Nippon Keidanren stressed the need to strengthen soft infrastructure through economic partnership agreement (EPA) and utilize ODA strategically towards the development of necessary hard infrastructure. Afterwards, the federation continued to publish position papers that required the government to implement concrete policies to sustain Japanese corporations' deployment of infrastructure systems. Furthermore, Keidanren executives have organized 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 organized 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.[53] Major industrial associations also delivered their demands regarding the export of infrastructure systems to the government. The Japan

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52 *Yomiuri Shinbum*, May 27, 2013.

53 *Shūkan Keidanren Times,* No.3165, 13 February 2014. http://www.keidanren.or.jp/journal/times/2014/0213_03.html.

Foreign Trade Council, an industrial association of general trading companies, has encouraged the government to strengthen public financing systems for promoting the export of integrated infrastructure. In its June 2012 position paper, the council required the government to strengthen support for overseas investment projects, businesses by overseas subsidiary companies, and exchange risk associated with local currencies. The similar requirements regarding strength in public finance were also made by the Japan Machinery Exporters' Association.

The government set up close linkages with the private sector in formulating policies for infrastructure exports through advisory councils formed by government agencies. In May 2012, MLIT set up an expert council to promote the deployment of infrastructure overseas. The council comprising two academics and six business representatives discussed desirable policies to promote the export of infrastructure systems. In February 2013, the council published the strategy for future exports of infrastructure systems, which provided four-point basic ideas and 15 concrete measures. In May 2014, METI set up a subcommittee of economic cooperation and export of infrastructure systems under the Commercial and Trade Division, the Industrial Structure Council. The twelve private representatives mainly from the business circle discussed problems and future prospects regarding the export of infrastructure systems in order to formulate a policy report.

Close government-business relations are seen in the implementation process of infrastructure businesses. The Japanese public and private actors established a joint organization comprised of major government ministries – MOFA, METI, MLIT, MOF – , government-affiliated organizations – JICA, JBIC, Japan External Trade Organization (JETRO) –, and business associations – Nippon Keidanren, Nissho – in relation to infrastructure business in Vietnam, Myanmar, and India. The organizations have supported Japanese companies' bidding for infrastructure projects through policy dialogues with the central and local governments in target countries.

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

Conclusions

In this article, I examined how Japan has formulated and implemented trade policy in response to evolutions in the international economy and geopolitics. It presented a framework of dual objectives and one means that are pertinent to both economic and political dimensions, and argued that Japan's trade policy intensified the nature of developmentalism. The deployment of infrastructure systems is a policy field where the Japanese government pursued distinctive trade policy.

The export of integrated infrastructure systems was located as a main pillar to achieve an economic objective to reinvigorate the Japanese economy. The economy was confronted with multifaceted structural problems and the yen appreciation problems after 2007. These problems gradually robbed relative competitive advantage of Japanese manufacturing sectors, reducing Japan's export power. Japan is required to extend the scope of industrial bases for exports, not relying on manufacturing sectors alone. The Japanese government found values in infrastructure business as a seed to refuel Japan's exports and stimulate the growth engine. In addition to the economic objective, Japan incorporated economic security objectives in pushing forwards the deployment of infrastructure systems. The Abe cabinet incorporated economic security objectives by taking advantage of support for infrastructure development as a toolkit to forge closer political ties with countries surrounding China. In providing support for the development of infrastructure systems in Myanmar and Vietnam, Japan expected that infrastructure development and resultant economic growth allow them to enhance political autonomy against China and harness its aspiration in maritime affairs in Southeast Asia.

In advancing the deployment of integrated infrastructure, the government played a prominent role. The government combined policies from foreign aid, public finance, information sharing, and so on, in order to provide favorable environments for Japanese companies' advancement in infrastructure business. In formulating these policies, business groups delivered their preferences and requirements to the government through participation in advisory bodies and the submission of position papers. The government also took the lead in realizing concrete outcomes in the export of infrastructure systems 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 organizations with government agencies to support Japanese companies' bidding for infrastructure projects.

As this article demonstrated, the Japanese government surely intensified its commitments to the export of infrastructure systems. From 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 managing infrastructure with Japanese products and firms alone. How to integrate foreign products and firms is a major challenge for the Japanese government. Second, Japanese companies are still unwilling to take risk, and tend to rely on government support. Given overall trends in declining ODA, how to draw positive willingness from a wide range of private companies will be a crucial issue in producing success in the export of infrastructure systems.