



Japan's Choice of Third-Party Market Cooperation with China in the Context of the Belt and Road Initiative

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Abstract

This thesis sets out to investigate the reasons why Japan chooses to cooperate with China in third-party markets instead of joining the Belt and Road Initiative, and it takes the China-Japan competitive relations as the premise and focuses on Third-Party Market Cooperation between China and Japan. To this end, the theory of Geo-economics and the theory of Comparative Advantage are combined to explore Japan's motives for seeking cooperation while maintaining competition with China, especially from the perspective of trilateral economic relations. Commencing with the development of Third-party Market Cooperation and the progress of China-Japan cooperation in Southeast Asia, the thesis looks into the impact of China's rise on Japan's geo-economic interests in Southeast Asia, as well as Japan's confrontation with China's Belt and Road initiative, thus confirming that Japan's tactical cooperation with China in this context is to maintain its declining economic status in Southeast Asia. Guided by the theory of comparative advantage, Vietnam is taken as the example for the thesis to further measure the economic relationship between China and Japan and with third-party markets, and it finds that China and Japan have similar advantages in investment and trade with Vietnam, and their respective advantages in these fields lay a further foundation for their cooperation.

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1. Introduction

Since the Belt and Road Initiative was put forward in 2013, China has signed 205 cooperation documents on the initiative with 140 countries and 31 international organizations (Belt and Road Portal, 2021). Substantial progress has not only been made in landmark projects in the connection of a series of facilities such as railways, ports, aviation, energy, etc., but also in six economic corridors – New Eurasian Continental Bridge, China-Mongolia-Russia, China-Central Asia-West Asia, China-Indochina Peninsula, China-Pakistan and Bangladesh-China-India-Myanmar Economic Corridors. From 2013 to 2018, China's trade in goods with countries along the Belt and Road exceeded \$6 trillion, and its investment in these countries was approximately \$90 billion. In 2018, the total trade between China with countries along the Belt and Road Initiative accounted for 27.4% of China's import and export trade in the same period (Belt and Road Portal, 2019). These achievements have enhanced China's international influence and appeal. While making great progress in the Belt and Road Initiative, it should be noted that although some powerful countries around China have not joined the initiative, they are closely related to it. Japan is one of them.

As one of the vested interests in the existing international order and China's main competitor in East Asia, Japan has a complicated relationship with China towards the Belt and Road Initiative. Due to its special national conditions that are not completely independent and the historical background of being restricted by the United States, Japan's attitude towards the Belt and Road Initiative is largely influenced by the United States. Japan initially had relatively strong hostility to the Belt and Road Initiative, which was proposed at a provocative time in the context of China-Japan relations. It was difficult for Japan to believe in China's sincerity and commitment to the project (Masuo, 2020), especially in the context of disputes over the ownership of the Diaoyu Islands, many Japanese recognised China as a challenger to the existing international order, as the latter tried to modify the liberal democratic norms and rules led by the United States. In collaboration with other countries (Friedberg, 2011), thereby threatening Japan's national interests. Due to its considerations of strategic competition with China, the Belt and Road Initiative appears to be strongly geopolitical in Japan's view – it is an initiative of China to integrate East Asian geopolitical plates, increase political influence, and weaken the existing international order dominated by the United States and Japan. Therefore, Japan regards the Belt and Road initiative as a challenge, and tries to obstruct its implementation through Official Development Assistant (ODA) and strengthening of Silk Road Diplomacy (Custer et al., 2019). In

addition, Japan was also trying to leverage the United States to counter the China-led Asian Infrastructure Investment Bank and prevent China from building a new economic order by the Trans-Pacific Strategic Partnership Agreement (TPP).

Both China and Japan are superpowers in Asia, and both possess the ability, potential and willingness to become a dominant country in the region. China and Japan inevitably formed a kind of competitive relationship in many aspects, which often attracts the attention of the international community. However, although China and Japan are regional competitors to each other, such identities have not completely hindered the development of economic and diplomatic cooperation between the two countries. After 2018, China and Japan began to actively develop Third-Party Market Cooperation, and have a relatively rapid development momentum.

Third-Party Market Cooperation refers to “economic cooperation among Chinese businesses (including those in the financial sector) and businesses of relevant countries in the third-party markets” (China National Development and Reform Commission, 2019). In June 2015, the Chinese government and the French government issued a joint statement on Third-Party Market Cooperation in Paris, which first proposed the concept of Third-Party Market Cooperation (Qin and Yang, 2015). After cooperating with France, China has reached a consensus on Third-Party Market Cooperation with Germany, the United Kingdom, Belgium, Canada and other countries, and cooperated in third-party markets in the fields of infrastructure, energy, environmental protection, and finance (China National Development and Reform Commission, 2019). As a new form of international cooperation, Third-Party Market Cooperation is intended to combine high technology from developed countries with China’s mid-tech equipment through international capacity cooperation, so as to better meet the needs of developing countries and expand the technology and product markets of developed countries, as well as upgrade China's industrial structure, which is a benefit to the three parties (Zheng, 2019).

On the 40th anniversary of the signing of the China-Japan Treaty of Peace and Friendship in 2018, Chinese President Xi Jinping and Japanese Prime Minister Shinzo Abe reached a consensus on developing Third-Party Market Cooperation. On May 9, 2018, during Chinese Premier Li Keqiang's visit to Japan, a memorandum on cooperation in third-party markets by Chinese and Japanese enterprises was signed by the two governments. The two parties agreed to establish a working mechanism to promote cooperation in third-party markets, establish and hold a forum on Third-Party Market Cooperation between China and Japan, and promote cooperation in third-party

projects and exchanges between enterprises of the two countries (China National Development and Reform Commission, 2018). In October 2018, during his visit to China, Shinzo Abe attended the first China-Japan Third-Party Market Cooperation Forum and signed 52 cooperation agreements with a value of more than 18 billion US dollars with Li Keqiang (Han, 2020).

Japanese companies have been deeply involved in Southeast Asia, Central Asia, and South Asia for many years, and they have considerable competitiveness in industrial investment and economic and trade cooperation. At the same time, they have a solid foundation of public opinion in these regions because of their good performance of corporate social responsibilities in the local areas. China's Belt and Road Initiative has brought considerable competitive pressures to Japan, but the latter is willing to cooperate with China in third-party markets in these regions under such a competition. What kind of situation is reflected in Third-Party Market Cooperation, so that it has such a big attraction? What's more, with the development of cooperation between the two countries in third-party markets, though Japan has not formally joined the Belt and Road Initiative, the Abe administration's attitude towards the Belt and Road initiative has shifted from resistance to positive since 2017. Therefore, exploring Third-Party Market Cooperation between China and Japan may help to identify the reasons for the different actions of Japan between the two cooperation modes – Third-Party Market Cooperation and the Belt and Road Initiative – with China, so as to deeply understand the cooperation and competition relationship between China and Japan. To carry out this investigation, the following research question has been established to serve as a guide for analysis:

Since Japan has not joined the Belt and Road Initiative, why does it choose Third-Party Market Cooperation with China?

The increasing economic cooperation in third-party markets between China and Japan has caused a broader discussion, as most scholars seem to agree that the main driver of economic cooperation between China and Japan has been their largely similar economic foundation – both countries have benefitted from the global free-trade system and have expressed their desire to jointly maintain and promote a free, open and rules-based multilateral trading system (Sun, 2019; Masuo, 2020). Especially during Trump's administration, the differences and frictions between the United States and Japan in the economic and trade fields have intensified, prompting Japan to seek Third-Party Market Cooperation with China. Some scholars also highlight this factor cannot stand alone and is complemented with other factors. For example, the sizeable

growth of the Chinese economy has directly led to increasingly fierce competition with Japan in Southeast Asia, which is an important area for Japan to realize its ambitions as a superpower (Meyer, 2011; Han, 2020). Therefore, Japan is willing to cooperate with China to seek a profit distribution result acceptable to all parties, while maintaining its regional influence. Although some scholars believe that Third-Party Market Cooperation is a strategy adopted by the Japanese government to circumvent the Belt and Road Initiative, more scholars seem to believe that Third-Party Market Cooperation has served as the code for Japan's collaboration with China's Belt and Road Initiative, and Japan will extend de facto cooperation for the Belt and Road Initiative on the pretext of cooperation in third-country markets (Meng, 2018; Masuo, 2020).

Why does Japan show a high degree of enthusiasm for Third-Party Market Cooperation proposed by China? From the context of global development, given the weak recovery of the world economy and poor progress in South-South cooperation and North-South cooperation, Third-Party Market Cooperation can undoubtedly provide new impetus for world economic development. From the perspective of international cooperation, cooperation inevitably generates benefits, which in turn stimulate the willingness of countries to cooperate. However, if Japan is willing to engage in Third-Party Market Cooperation with China purely out of the economic benefits generated by the cooperation, the economic benefits brought about by the huge market scale under the framework of the Belt and Road Initiative inevitably exceed the benefits of a region of third-party markets, but why did Japan not join the Belt and Road Initiative? Therefore, in addition to the benefits of international cooperation, deeper reasons should be discovered. The competition and cooperation between China and Japan are inseparable from their geo-economic interests in Asia. Japan is a country with priority influence in the Asian region. In the process of regional cooperation, as a latecomer, China's cooperation activities in this region have posed competition and even challenge to Japan. The key motivation for Japan's participation in Third-Party Market Cooperation is rooted in its geographic pattern in these markets and the economic benefits determined by the geographic pattern.

This thesis wishes to expand the academic literature by investigating the China-Japan cooperative relationship[in third-party markets, which is still a new and emerging relationship. The theory of Geo-economics and the theory of Comparative Advantage are combined to investigate the competition and cooperation between

China and Japan, so as to explore the reasons why does Japan engage in Third-Party Market Cooperation with China in the context of the Belt and Road initiative.

2. Methodology

2.1. Choice of Theories

Since this thesis aims at studying the economic competition and cooperation between China and Japan, the two geographically neighbouring countries, the theory that is first sought should be one that includes the two elements of geographical locations and economic and trade relations, which is the theory of Geo-economics. It can be used to explain the behaviours of cooperation and competition between countries from the perspective of obtaining and maintaining geo-economic benefits, so it fits the topic of Third-Party Market Cooperation between China and Japan. In addition, economists believe that comparative advantage is a necessary condition for international division of labour and international trade. The existence of comparative advantage complicates economic exchanges between economies and makes them interdependent. Therefore, the theory of Comparative Advantage can be combined with economic interdependence and Geo-economics to further analyse the cooperation interest of China and Japan in third-party markets.

2.1.1. Theory of Geo-economics

The Geo-economic theory is chosen because of its focuses of geographical locations and economic benefit. Formed after the Cold War, the theory of Geo-economics extended the theories and tools of Geo-politics, and it can be used to explain the behaviours of cooperation and competition between countries from the perspective of obtaining and maintaining geo-economic benefits. Geo-economics can be defined in two different ways: as the relationship between economic policy and changes in national power and geopolitics; or as the economic consequences of trends in geopolitics and national power (Baru, 2012). Since the intensity of conflicts between countries in the economic field is lower than in the political field, economic cooperation tends to emphasize mutual benefit and win-win results. However, once economic issues begin to serve political and strategic goals, zero-sum ideas are more likely to arise.

According to the theory of Geo-economics, Japan's attitude towards cooperation and competition with China can be explained to a certain extent. On the one hand, with the rise of China and the subsequent transfer of global economic power, China's influence in the surrounding areas has further expanded, as it has become the most important partner in Southeast Asia and many other areas, and has affected or even

impacted Japan's dominant position and regional influence in Southeast Asia. Therefore, a series of measures adopted by Japan to hedge the pressure of China's development on Japan's geo-economic situation can be explained. However, as two superpowers in Asia, China and Japan as neighbours are inextricably linked, and shall look for appropriate opportunities for cooperation in the course of competition. For Japan, through cooperating with China in third-party markets it can effectively maintain its regional influence in the third-party markets and the long-term geographic benefits obtained from it. Therefore, the two perspectives of cooperation and competition in Geo-economics can provide theoretical help for the research question of this thesis.

2.1.2. Theory of Comparative Advantage

Eighteenth-century economist David Ricardo created the theory of Comparative Advantage, and argued that a country boosts its economic growth the most by focusing on the industry in which it has the most substantial comparative advantage (Ricardo, 2015). Comparing the industrial labour productivity or capital productivity of each country can help to reveal its absolute advantage, while the main reason for the international division of labour is the comparative advantage. However, having a comparative advantage does not necessarily have a competitive advantage, but only with competitive advantage can the benefits of international division of labour be finally realized (Porter, 1985). The essence of Third-Party Market Cooperation between China and Japan is to complement each other's comparative advantages, while the ultimate goal of their action is to maintain their respective competitive advantages.

Based on the Comparative Advantage Theory of Ricardo, a number of mathematical models developed by later scholars were used to verify international trade relations and trade patterns. For example, the Trade Intensity Index defined by Brown (1949) is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. The larger the value of the Trade Intensity Index, the closer the trade ties between the two countries. With the comparative advantage trade theory and related mathematical models, the degree of trade competitiveness and trade complementarity between China and Japan in third-party markets can be discovered. It is thus possible to analyse how the comparative advantage in trade provides the basis for China and Japan's interest in cooperation in a third-party market, and how do they maintain or change their competitive advantage through Third-Party Market Cooperation.

2.2. Method and Data

In order to answer the research question, the thesis aims at exploring China-Japan Third-Party Market Cooperation and economic relationship between China and Japan. The research is based on both qualitative method and quantitative method, and primary literature, secondary documents, economic data and relevant empirical results, etc. are all used to prove the argument. This research design not only explores the problem from multiple aspects, but also overcomes the limitation of a single research method.

A qualitative approach is utilized to explore the status quo of competition and cooperation between China and Japan in other markets. Through discursive analysis of white papers and official statements, the relationship between Third-Party Market Cooperation and the Belt and Road Initiative can be clarified. In addition, some secondary documents like academic articles would be combined to explain the progress of Japan's engagement in Third-Party Market Cooperation with China, as well as its reactions to the Belt and Road Initiative, making Japan's purpose for safeguarding geopolitical interests through the two initiative of China clear. When discussing the further impact of China-Japan Third-Party Market Cooperation on its cooperation in the Belt and Road Initiative, some official documents and second-hand literature are used for the qualitative approach. Policy documents and reports are mainly strived from websites of government departments, international organizations and influential media, including government documents and leaders' speeches. Some important documents like *Japan and China Conclude Memorandum on Business Cooperation in Third Countries*, 52 memorandums of cooperation signed on First Japan-China Forum on Third Country Business Cooperation, etc. can provide critical information for the research of this thesis.

Quantitative analysis is used to strengthen the convincement of argument. When exploring the reason why the two competitors of China and Japan cooperate in third-party markets from the perspective of Geo-economics, quantitative method can be used to examine the degree of economic interdependence between China and Japan and Southeast Asia, as well as changes of interdependence, including complementarity and competitiveness of the China and Japan with Southeast Asia. When analysing the basis of their common interests in third-party markets, Vietnam is chosen as a case. Among the third-party markets for the cooperation between China and Japan, Southeast Asia is a priority region, as it has a long-term and solid

foundation for economic cooperation with China and Japan. Among Southeast Asian countries, Vietnam is one of the most important trading partners of China and Japan, and can be a typical case of Third-Party Market Cooperation between China and Japan. Some mathematical models related to the theory of Comparative Advantage and empirical data are combined to provide a basis for quantitative research on China-Japan trade relations with Vietnam. Quantitative data is selected according to the needs of mathematical models, like trade volume of China and Japan with Vietnam, as well as export product structure and import product structure of China and Japan to Vietnam. They are mostly released by international organizations, including the World Trade Organization (WTO), International Monetary Fund (IMF), United Nations Conference of Trade and Development (UNCTAD), etc. A few other data are chosen from China General Administration of Customs and China National Bureau of Statistics. These materials, which are published by international organizations and governments, are of high validity and reliability.

2.3. Limitations

The purpose of this thesis is to assess the economic cooperation between Japan and China in third-party markets, which is contained in the scope of China-Japan economic relations. The thesis's scope is defined through the formulation of the research question, focusing on why and how China and Japan develop economic cooperate in third-party markets. The discussion on political factors and other countries is limited, but not completely excluded. In this view, this thesis has some limitations.

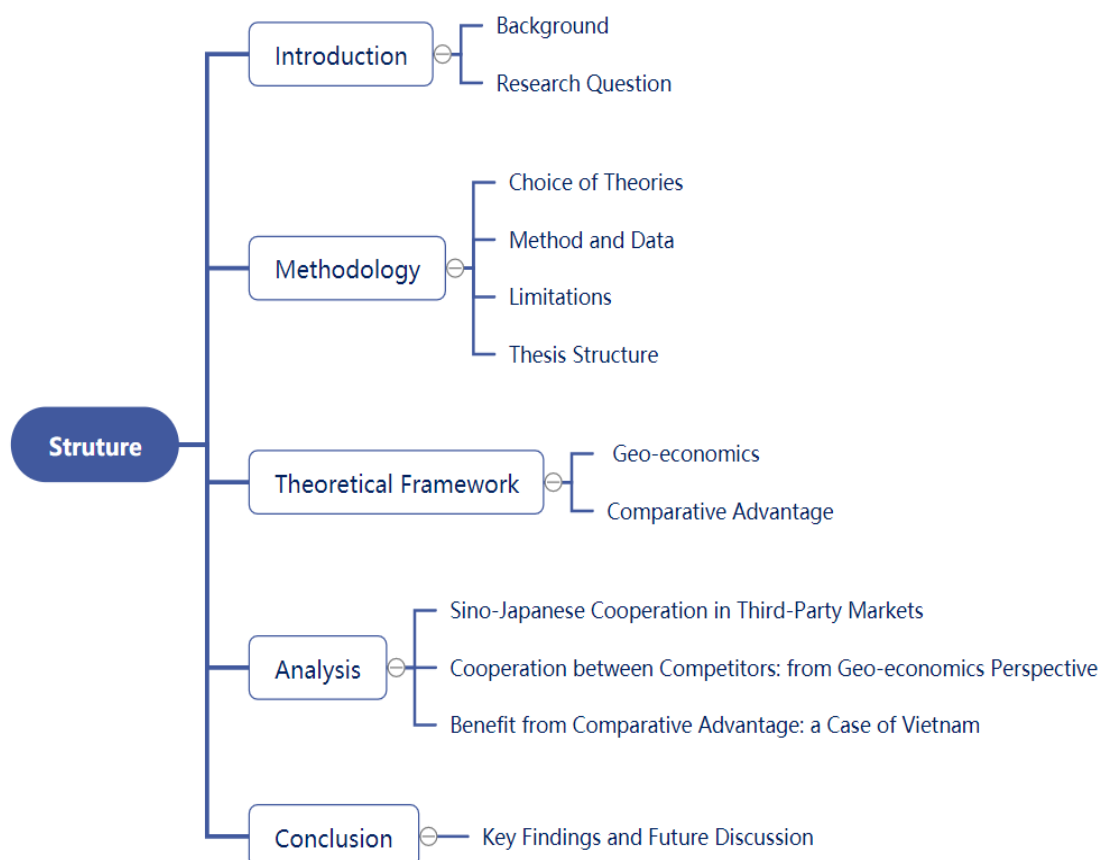
First, the factor of the United States is not given much attention in this thesis. However, for historical reasons, Japan has always been difficult to get rid of the inequality in Japan-US relations, and it is difficult to be characterized as a superpower with completely independent will. It is limited to explain Japan's foreign relations with the logic of competition among major powers, because Japan lacks complete strategic independence. As a party of the US-Japan alliance and an island country in East Asia geographically close to China, Japan's policy towards China can only be engaging in distance contacts with China on the premise of maintaining the alliance with the United States. In order to visualize the economic cooperation between China and Japan, the thesis excludes political factors related to the United States, and the choice of theory and data are also concentrated on the economic and trade aspects.

Second, cooperation in third-party markets is a mode broader than the concept of Third-Party Market Cooperation which was put forward by China, and it is formed with

the development of international division of labour and the global market. However, the research object of this article is limited to Third-Party Market Cooperation that China and Japan formally agreed in 2018, and the scope of cooperation and cooperation methods discussed are only relevant to this, without any extension. This may cause limitations to studying the economic relations between China and Japan, but it is conducive to the delimitation of this thesis.

Finally, Vietnam is regarded as an important market for China and Japan to explore third-party cooperation, thus serving as an important case in the analysis chapter of this thesis. Indeed, both China and Japan are one of Vietnam's important trading partners, and with the economic growth of the three countries, economic relations among them are getting closer. However, strictly speaking, although Vietnam is representative in the study, each third-party market of China-Japan cooperation is unique, and Vietnam obviously cannot fully represent all these markets, but the representativeness of Vietnam is enlarged in the analysis part.

2.4. Thesis Structure



Specifically, in Chapter 2 of methodology, I elaborate on the reasons for choosing these two theories, as well as the research methods adopted in this article, data selection, and limitations. In Chapter 3 of theoretical framework, the theories are discussed in detail, and how they provide a basis for the Analysis part is also explained. In Chapter 4, the development of Third-party Market Cooperation and the progress of China-Japan cooperation in Southeast Asia is firstly analysed. Secondly, the reasons Japan's confrontation with China's Belt and Road initiative and its enthusiasm for Third-Party Market Cooperation with China are explored from the perspective of Geo-economics, and finally Vietnam is taken as an example of third-party markets to future investigated the reasons why China and Japan are interested in Third-Party Market Cooperation. In Chapter 5, the results of the analysis are summed up and the research question is answered conclusively.

3. Theoretical Framework

3.1. Theory of Geo-economics

The theory of Geo-economics was formed after the Cold War at the end of the 20th century, and it extended the theories and tools of Geo-politics that prevailed in the 1980s and 1990s. With the end of the Cold War, commercial exchanges and interdependence between countries reduced the intensity of strategic competition, and economic competition gradually replaced military confrontation. The Geo-economic theory in this period focused on how economic integration promotes cooperation between countries and how economic interdependence stabilizes relations between major powers. Countries and regions were using geographical advantages to strengthen cooperation, making themselves more internationalized and globalized. Many scholars like Edward N. Luttwak and Henry N. Nau began to pay attention to and study Geo-economics in depth, emphasizing that Geo-economics is a strategy or policy based on geographical factors to strive for national interests (Luttwak, 1990).

In the 21st century, with the development of economic globalization, the economies of the world are increasingly integrated. When states compete in the global market, economic resources and interests become part of the states' power and the goal of foreign policies. National interests are mainly based on the scale of employment, the expansion of market, as well as the competitiveness of innovation. A state's politics and diplomacy are also more embodied in its support for capital investment – it provides policy support to create an favourable external environment for economic development, such as trade tariffs and import quotas. When companies have troubles while exploring the international market, the state would act as a representative of the domestic industry to conduct economic negotiations based on economic cooperation and provide policy information to various domestic actors. In the context of geo-economy, economic competition between countries with strategic resources, technology, talents, international capital and world markets is being staged.

Generally, Geo-economics refers to the pursuit of national economic interests through political and economic interactions within a specific space, with the country as the main body of action and geological factors as the basis under the background of economic globalization. It has the following assumptions. Firstly, the end of the Cold War means that traditional wars can be avoided to a large extent, but conflicts among nations remains. In the new geo-economic era not only the causes but also the instruments of conflict must be economic (Luttwak, 1990). Secondly, nation-states

remain the main actor in international relations, and their main task is to compete for and maintain economic superiority. At the same time, companies, organizations and even individuals can participate in the geo-economy and be more closely integrated with the state (Lu, 2004). Thirdly, with the interdependence, mutual penetration, and mutual competition among states, regional economic grouping has become the main feature of geo-economy. There has been a trend of regional integration represented by North America, Europe and East Asia, but the trend is constantly changing with the rise of emerging economies.

In order to facilitate an in-depth analysis of Geo-economics, the following discussion is based on a dichotomy. Baru (2012) defined Geo-economics in two different ways: as the relationship between economic policy and changes in national power and geopolitics (in other words, the geopolitical consequences of economic phenomena); or as the economic consequences of trends in geopolitics and national power. Since the intensity of conflicts between countries in the economic field is lower than in the political field, economic cooperation tends to emphasize mutual benefit and win-win results. However, once economic issues begin to serve political and strategic goals, zero-sum ideas are more likely to arise. Based on Luttwak (1990) and Baru (2012), this section distinguishes Geo-economics with two paradigms: competition and cooperation.

3.1.1. Cooperative Geo-economics

Cooperative Geo-economics focuses on the mitigation of geopolitics by economic development, that is, the geopolitical consequences of economic phenomena (Baru, 2012). Norman Angell (1910) put forward the idea of Globalism Geo-economics, and argued that the cyberspace formed by finance, thought, trade, and communication made the world an interdependent economy – trade and interdependence increased the opportunity cost of war, making it an illusion to obtain wealth through war and territorial annexation. By the end of the 1970s, Robert Keohane and Joseph Nye (1977), the representatives of Neoliberal Institutionalism, put forward the famous interdependence theory, arguing that the compound interdependence between countries brought about by economic cooperation has eased the zero-sum side of international politics.

With the increasingly close economic ties between countries, the role of traditional political and military factors in international relations has declined, and the role of economic factors has become increasingly prominent. Commercial power is no less

important to a country in international politics than military power. Market forces and intricate issues reduce the possibility of military conflicts worldwide. Ohmae (1995) holds that forces including capital, enterprises, consumers, and communication have weakened the role of the nation-state and highlighted the role of the region. In the context of the interdependence of the global economy, Geo-economics can be used in the study of regionalist development and related transnational governance, and fundamentally challenge the concept of nation-states by creating cross-border regions. After the haze of global geopolitical competition, large-scale geo-economic cooperation took the lead, and there was a trend of regional integration represented by North America, Europe and East Asia. Among countries, integration can form a domino effect through trade transfers, which can further encourage countries to join regional economic and trade cooperation organizations (Baldwin, 1997). Within a country, regional organizations can influence domestic politics by forming regional groups, increasing transactions and functional connections, and thus interest groups that require the advancement of regional integration emerge (Nye, 1970).

3.1.2. Competitive Geo-economics

The main feature of competitive Geo-economics is to analyse economic competition from the perspective of realism. “Geo-” means competition, whether it is in the context of Geo-politics or Geo-economics. As early as the Cold War, theories represented by the Dependency School realized a geo-economic structure based on the North-South relationship, that is, the core countries impose capitalism on the peripheral countries through colonial economy, uses the raw materials and labour provided by the peripheries to produce processed products, and dominates the peripheral countries from the political ecology and class composition through the international division of labour (Petras, 1981). Lutwak (1990) directly pointed out that geo-economy is the war in business – it comes from the natural motivation of countries to pursue advantages over other economies, and it is also controlled by domestic interest groups.

This is a process in which a country accumulates wealth through market control instead of acquiring and controlling territory (Moisio and Paasi, 2013). Geo-economics is a discipline that studies the interaction of politics and economics between countries in a specific limited space to obtain national interests from the geography as a starting point. It is characterized by strong realism rather than liberalism, and emphasizes competitiveness improving through policies of trade, resource and technological, etc. Paul Krugman (1990) put forward the idea of strategic trade, that the country can obtain a larger share of rents than free trade through active trade policies. When the world

gradually shifted from geopolitics to Geo-economics, commercial means replaced military and became the main means of competition. Economic weapons can be used in political conflicts, such as import restrictions, export subsidies, financial support for competitive technology projects, and assistance for the construction of competitive infrastructure.

3.1.3. Analysis of Geo-economic Theory

With the rise of China and the subsequent transfer of global economic power, many contemporary academic and policy discussions on global affairs are about the consequences of China's increased economic and political influence. The same is true of the application of Geo-economics, which can be used to explain a series of issues related to the rise of China, including the China-Japan competition and cooperation discussed in this thesis.

From the Asia-Pacific rebalancing strategy in Obama era to the China-US trade war launched after Trump came to power, all have demonstrated geostrategic considerations of US on economic issues. Morrissey (2017) holds that "the military enabling of Geo-economic opportunities has been a key element of US foreign policy over the last 30 years". Luttwak (2012) bluntly emphasized the structural contradictions between China and US – The problem with China is not just its behaviour on the world stage, but its all-round growth. He accused China of failing to abide by trade rules, including infringement of intellectual property rights and unbalanced trade, and called for the use of "Geo-economic Containment" to reduce China's economic growth in order to maintain a balance of power. The measures he cited include restricting China's overseas mergers and acquisitions, prohibiting military departments from purchasing Chinese products, prohibiting government departments from using Chinese communications equipment, and so on.

The thinking of competitive geo-economics is particularly evident in the United States' attitude towards China affairs, and its geo-economic discourse has a strong tendency to confrontation. As the other side of the US-Japan alliance, Japan is similar to the US in this respect. Southeast Asia is of vital importance to Japan. Japan cannot restore its status in the world without restoring its status in Southeast Asia. The extension of China's influence to surrounding areas is an objective process that does not depend on subjective wishes. From the perspective of trade and investment, China's influence in the surrounding areas has further expanded, as it has become the most important partner in Southeast Asia and many other areas, and has affected or

even impacted Japan's dominant position and regional influence in Southeast Asia. As a result, regional economic gains and even political gains of Japan have shown a downward trend. In fact, Japan has adopted a series of measures to hedge the pressure of China's development on Japan's geo-economic situation. For example, in 2015, Japan proposed to promote high-quality infrastructure construction in Asia and build a "high-quality infrastructure partnership" with the intention of competing with China for overseas infrastructure investment rights and hedge against the impact of the Belt and Road Initiative on Japan's economic output. Japan competes with China's "low prices" with "high quality". In terms of capital layout, it has also continuously increased its investment in fulcrum countries or hubs along the Belt and Road, forming a clear competitive situation with China.

Despite the fierce competition between China and Japan, it is undeniable that China plays an important position in Japan's geographical environment. Japan is bordered by emerging powers such as China and Russia, and is located in the Pacific Rim region with the most prosperous economy in the world. Japan's development has always been inevitably affected by location factors. With the strengthening of the integration of the world economy and the consolidation of regional economies, Japan has become more aware of the importance of returning to Asia and establishing and developing good economic and trade relations with neighbouring countries. Japan's participation in East Asian economic cooperation is to seek the interests of its great powers, and its purpose is to establish a Japanese-led economic model in Asia by virtue of its economic power status. Among the current developed countries, US and Canada have established USMCA (the U.S. – Mexico – Canada Agreement), Germany, France, and Italy, ect. are important member states of the EU, while Japan was still outside the regional economic cooperation organization. Therefore, in recent years, Japan has begun to make new adjustments to regional economic cooperation. For example, the signing of RCEP is of great significance to Japan, which not only covers the Asia-Pacific region, but also includes Japan's largest trading partner China and the third largest trading partner South Korea. The same is true for China-Japan Third-Party Market Cooperation. For Japan, the key driving force for promoting cooperation with China in third-party markets may not be Japan's immediate economic gains in the process of cooperation, but lie in whether it can effectively maintain its regional influence in the third-party markets and the long-term geographic benefits obtained from it.

3.2. Theory of Comparative Advantage

The theory of comparative advantage was put forward by David Ricardo, who holds that because different countries have different labour productivity in different commodities, international trade cooperation can make full use of the comparative advantages of countries – countries can export products with higher production advantages in exchange for products that are relatively disadvantaged in terms of labour productivity – so that all parties can benefit from trade cooperation (Ricardo, 2015). The theory of comparative advantage constitutes the theoretical basis of international trade and globalization.

The concept of scale economy was introduced to analyse comparative advantage by Helpman and Krugman (1986), and it led to a new development of the theory. They developed a model of monopolistic competition based on free entry and average cost pricing, treating the number of product diversity as endogenously determined by the interaction between returns to scale and market size. They hold that the traditional comparative advantage theory emphasizes that comparative advantage is given exogenously, while in many cases, it is acquired – endogenous. The acquired comparative advantage determines the position of a country in some industries of international trade, especially high-tech product manufacturing industries. Scale economy and external economy are the source of endogenous comparative advantage.

Although the importance of acquired comparative advantage has been emphasized, the traditional exogenous comparative advantage theory is not outdated. Whether in theory or practice, countries with lagging productivity can also maintain international trade balance, because it is comparative advantage rather than absolute advantage that determines trade. In the case of self-sufficiency, a country's product diversity is extremely low, and trade enriches consumers' choices. At the same time, if trade increases the elasticity of consumer demand, the scale efficiency of a single manufacturer can also be improved. In this way, the manufacturer can establish its advantage in the international market through economies of scale. Krugman (1980) discussed several contexts in which manufacturers with larger domestic markets can more effectively use economies of scale to make them more competitive internationally, and proposed that the size of the domestic market would affect a country's international comparative advantage. Some empirical studies also show that exporters are usually larger than domestic manufacturers, and there is a positive correlation between the scale of manufacturers and industries and their export volume (Wang, 2010).

Michael Porter (1985) put forward the concept of competitive advantage, which is on the basis of comparative advantage. According to his theory of competitive advantage, differences in natural resource endowments are potential comparative advantages, which represent the advantageous position of countries in resource endowments, while competitive advantage is the actual situation of countries in the international trade pattern, and it is the result of the combined effect of multiple factors on the basis of comparative advantage. Having a comparative advantage does not necessarily have a competitive advantage, but only with competitive advantage can the benefits of international division of labour be finally realized. The international competitive advantage of a country stems from several factors, including the factors of production, domestic demand, related and supporting industries, and the strategic structure and competition of enterprises, as well as the country's opportunities and the role of the government. Porter (1985) noted that the six factors influence and interact with each other, forming a dynamic environment and producing some star industries that are competitive in the international market. When only two types of factors are favourable, it is usually impossible to maintain a competitive advantage; the availability of resources is not a necessary condition. For example, Japan is prosperous but lacks natural resources, because the two supporting factors of opportunity and government have played an important role.

3.2.1. Indexes Related to Comparative Advantage

Based on the Comparative Advantage Theory of David Ricardo, a number of mathematical models developed by later scholars were used to verify international trade relations and trade patterns.

RCA (the index of Revealed Comparative Advantage) indicates the international market competitiveness of a type of product of a certain country (Balassa, 1965), its formula is as follows:

$$RCA_{ik}^x = \frac{X_{ik}/X_i}{X_{wk}/X_w}$$

RCA_{ik}^x represents the comparative advantage of product k of country i . X_{ik} and X_{wk} refer to the export values of product k of country i and of the world, and X_i and X_w refer to the total export values of country i and of the world respectively.

The trade intensity index (T) was defined by Brown (1949), and it has similar logic to that of revealed comparative advantage, but for markets rather than products. The trade intensity index is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. It is calculated as:

$$T_{it} = \frac{X_{it}/X_i}{M_t/M_w}$$

X_{it} and X_i are the values of exports from country i to country t and of export from country i , and M_t and M_w are the values of total imports of country t and of the world respectively. $T_{it} = 1$ indicates that the trade intensify degree of the two countries is the same as the world average level. If T_{it} is smaller (larger), it means the trade intensify degree of the two countries is lower (higher), and their trade relationship shows more distant (close).

The trade complementarity (TC) index can provide useful information on prospects for intraregional trade in that it shows how well the structures of a country's imports and exports match. If the method of Yu (2003) is adopted, the TC index of two countries is composed of their RCA:

$$TC_{ijk} = RCA_{ik}^x \times RCA_{jk}^m$$

$$RCA_{ik}^x = \frac{X_{ik}/X_i}{X_{wk}/X_w}; RCA_{jk}^m = \frac{M_{jk}/M_j}{M_{wk}/M_w}$$

TC_{ijk} represents the index of TC of product k between country i and country j . RCA_{ik}^x and RCA_{jk}^m are respectively the export comparative advantage of product k of country i and the import comparative advantage of product k of country j . X_{ik} and X_{wk} refer to the export values of product k of country i and of the world, and X_i and X_w refer to the total export values of country i and of the world respectively.

3.2.2. Analysis of Comparative Advantage Theory

The comparative advantage theory was only applied to the field of bilateral trade when it was born, but it has been extended to multi-fields in subsequent studies. The essence of Third-Party Market Cooperation between China and Japan is to complement each other's comparative advantages in terms of production capacity, technical capacity, service capacity, and market space. Not only are the advantages

of China and Japan, third-party countries can also use their own comparative advantages such as labour supply and sale channels to benefit from the cooperation as consumers and producers.

However, it is undeniable that the ultimate goal of Third-Party Market Cooperation between China and Japan by exerting their comparative advantages is to maintain their respective competitive advantages. According to Porter (1985), the difference in natural resource endowments is an important potential factor leading to the comparative advantages of countries, while competitive advantage is the result of the combined effects of multiple factors on the basis of comparative advantage, and it is the reality of countries in the international trade structure. For a country, having a comparative advantage does not necessarily have a competitive advantage, and only by gaining a competitive advantage can it ultimately realize the benefits of the international division of labour. The economic benefits obtained through comparative advantage are static and short-term, which cannot reflect the long-term benefits. When analysing a country's competitive advantage, in addition to the actual benefits, potential benefits are also considered – for example, how can a country obtain or maintain a competitive advantage so as to obtain greater benefits from foreign trade.

Therefore, facing of the challenge of China's rise to its geo-economic interests, through Third-Party Market Cooperation with China, Japan can not only continue to exert its comparative advantages, but also maintain its competitive advantages in some areas in the process of deepening cooperation. According to the relevant tools of Comparative Advantage Theory, some trade data can be chosen to analyse the economic and trade basis of China-Japan cooperation in third-party markets; the characteristics of China-Japan trade with third-party markets can be compared, including export tendency and commodity structure. In addition, various situations such as the degree of trade intensity, trade competitiveness, and trade complementarity of China and Japan in third-party markets can be analysed, so as to derive the changes in their comparative advantages in economic cooperation, thus exploring the practical reasons for their cooperation in the third-party market.

4. Analysis

4.1. China-Japan Cooperation in Third-Party Markets

As a new concept of international cooperation, Third-party Market Cooperation refers to “international production capacity cooperation within the combination of high-end technology in developed countries with China's mid-end technology and equipment, so as to better meet the needs of developing countries, expand the market for advanced technologies and products in developed countries, and also benefit for China's industrial structure upgrade” (China National Development and Reform Commission, 2019). Focusing on Third-party Market Cooperation, China and Japan have conducted discussions on multiple institutional occasions in which they have participated together, and they have also made achievements.

4.1.1. Development of Third-party Market Cooperation

Third-Party Market Cooperation is not a mode created by China, but was the concept put forward by China. In fact, cooperation between two countries in a third-country market is a common mode of international cooperation, formed with the development of international division of labour and the global market. When two countries' governments and their companies negotiate business cooperation in a third party, Third-Party Market Cooperation and trilateral trade interactions emerge. At the beginning of the 17th century, the Dutch and British businesses expanded the spice market in South Asia and Southeast Asia in order to further occupy the European market share of spices. Since the 19th century, the United States has explored markets in Asia and Latin America together with Britain, France, Germany, Japan, etc. Since the 1970s, Japan's economy has taken off rapidly, with multinational consortia like Mitsubishi and Sony exploring sales markets in Southeast Asia and Central Asia through capital cooperation. The above examples all belong to the scope of Third-Party Market Cooperation.

According to the theory of comparative advantage, when the benefits of establishing cooperation are greater than the benefits of non-cooperation, rational economic actors would pursue trade and market cooperation with resource-complementary actors based on their own resource endowments in order to maximize benefits. The utility of comparative advantage is obvious in the international market – in a state of clear resource endowments, countries and their companies with comparable economic strength and trade complementarity would comprehensively consider the mutual trade

complementarity and product similarity, and cooperate to explore third-party markets with greater differences in resource endowments, more obvious trade complementarity, and less similar products. In this process, both parties use each other's advantages to enhance their own international competitiveness. Therefore, the difference between comparative advantage and resource endowment provides a realistic basis for third-party market cooperation activities.

China's economy has entered a phase of accelerated take-off under the wave of globalization after the Cold War. As a vested interest in globalization, China has always adhered to multilateralism and win-win cooperation in international affairs. With the advancement of the Belt and Road Initiative, the economic and trade cooperation between China and participating countries has continued to extend, creating opportunities for companies from China and other countries to jointly develop Third-Party Market Cooperation. In April 2019, President Xi Jinping noted in the keynote speech at the second Belt and Road forum that all countries should be guided by the principle of seeking shared benefits through extensive consultation and joint contribution, and should make full use of their advantages and potentials through bilateral, tripartite and multilateral cooperation. In his speech, Xi welcomed multilateral and national financial institutions to participate in the joint investment and financing of construction projects in the Belt and Road Initiative, encouraged the development of third-party market cooperation, and achieved the goal of mutual benefit through multi-party participation, and encouraged Third-Party Market Cooperation to achieve the goal of mutual benefit (Xinhua Net, 2019).

Third-Party Market Cooperation began with the cooperation between China and France. When President Xi Jinping visited Paris in 2014, a joint statement was signed by China and France. In order to implement the requirements of the joint statement, Third-Party Market Cooperation came into being. When Premier Li Keqiang visited France in June 2015, the two governments signed the Joint Statement on Third-Party Market Cooperation, which stated that China and France are willing to encourage and support the companies of the two countries to develop or strengthen cooperation in third-party markets (Chinese Government Website, 2015). Starting with France, in the next few years, China signed Third-Party Market Cooperation documents with fourteen countries, such as Germany, South Korea, and Japan. Take Germany for an example, it is one of the first developed countries to support the Belt and Road Initiative. Premier Li Keqiang expressed willingness of China to cooperate in third-party markets with Germany in 2015, and when German President visited China in 2016, a joint statement

was signed by the two parties, clarifying the principles and fields of their cooperation, especially in railway express and electric power supply (Zheng, 2016).

In terms of Third-Party Market Cooperation between China and developed countries, Japan is a latecomer. On the 40th anniversary of China-Japan Treaty of Peace and Friendship in 2018, China and Japan reached a consensus on developing Third-Party Market Cooperation. On May 9, 2018, during Chinese Premier Li Keqiang's visit to Japan, a memorandum on cooperation in third-party markets by Chinese and Japanese enterprises was signed by the two governments. The two parties agreed to establish a working mechanism to promote cooperation in third-party markets, establish and hold a forum on Third-Party Market Cooperation between China and Japan, and promote cooperation in third-party projects and exchanges between enterprises of the two countries (China National Development and Reform Commission, 2018). In October 2018, during his visit to China, Japanese Prime Minister Shinzo Abe and Chinese Premier Li Keqiang attended the first China-Japan Third-Party Market Cooperation Forum and signed 52 cooperation agreements with a value of more than 18 billion US dollars (Han, 2020). On the same day, a bilateral currency swaps agreement was signed, which is conducive to maintaining the financial stability and supporting economic and financial cooperation of the two sides.

4.1.2. Progress of China-Japan Cooperation in Southeast Asia

Since China and Japan reached the agreement on Third-Party Market Cooperation, the two countries have established a cooperation mechanism that spans multiple departments and covers multiple levels and subjects. Based on its close economic cooperation with China and Japan, mature supporting facilities, Southeast Asia has become a priority area for third-party market cooperation.

Under the mechanism of China-Japan Third-Party Market Cooperation, China's participants are composed of not only government departments including the Development and Reform Commission, the Ministry of Commerce, the Ministry of Foreign Affairs, the Ministry of Finance, and the Ministry of Industry and Information Technology, but also policy financial institutions such as the China Development Bank and the Export-Import Bank of China, as well as economic organizations such as the China Council for the Promotion of International Trade. In addition to Japan's Ministry of Economy, Trade and Industry, the Ministry of Foreign Affairs, the Ministry of Land, Infrastructure, Transport and Tourism, the Ministry of Finance, and the Ministry of Internal Affairs and Communications, Japan's participants also include government

background agencies such as the Bank for International Cooperation, the Japan External Trade Organization, and the International Cooperation Agency, as well as economic organizations such as the Japan Economic Federation, the Japan Chamber of Commerce and Industry, and the Japan-China Economic Association (China Ministry of Commerce, 2018). To create a dialogue platform for businesses in the two countries and offer them more potential cooperation opportunities, the two countries have set up a special forum, which is China-Japan Third-Party Market Cooperation Forum.

China-Japan Third-Party Market Cooperation has broad prospects in Southeast Asia, in which, whether China or Japan has its political, cultural and economic influence. Japanese companies have been exploring the Southeast Asian market since 1960s, and got a considerable reputation and market share in fields of finance, manufacturing, and infrastructure. Japan is ASEAN's second largest trading partner and its largest source of foreign capital, while in comparison, China is a rising star. After 2009, China became the third largest source of foreign investment in ASEAN and the largest trading partner of ASEAN (Liao, 2020). Therefore, based on their excellent economic relations, the third-party governments of in Southeast Asia are also actively cooperating with China and Japan. For example, , in order to actively respond to the consensus of China and Japan on Third-Party Market Cooperation and to further deepen the economic and trade cooperation between China, Japan and Cambodia, the three parties jointly hosted the Sihanoukville Special Economic Zone Promotion Conference in Tokyo in September 2019. The Cambodian side hopes to attract outstanding Japanese companies to settle in the special zone, realize mutual communication, complementarity and mutual assistance with Chinese companies, and jointly promote the economic development of Cambodia (People's Daily Online, 2019). This type of cooperation led by third-party government of third countries has occurred in many ASEAN countries such as Thailand and Vietnam.

Chinese and Japanese companies have been cooperating in Southeast Asia for a long time, and there have been many successful cooperation cases before their consensus of Third-Party Market Cooperation. In 2007, Mitsubishi Corporation and China National Building Material Group built a cement plant in Vietnam, which was a successful case of combining Japanese investment with the advantages of Chinese engineering construction (Ccement Net, 2007). As early as 2014, under the suggestion of the Japanese government, Thailand's Chia Tai Group, Japan's ITOCHU Corporation and China's CITIC Group have reached a tripartite cooperation framework to jointly

build a high-speed railway linking Thailand's three international airports. After the China-Japan International Conference on Third-Party Market Cooperation was held in Bangkok in May 2018, the three governments agreed to promote the tripartite cooperation in the Eastern Economic Corridor of Thailand (Xinhua Net, 2019).

From the 52 cooperation agreements signed at the first China-Japan Third-Party Market Cooperation Forum, although the implementation of cooperation projects is unknown, it can be seen that most companies which have signed cooperation agreements have long-term cooperation experience. With a strong willingness to cooperate, it is foreseeable that more cooperation projects will be implemented in Southeast Asia. Regarding the cooperation projects that have been signed or reached, infrastructure construction is dominant. Both countries are aware of the urgent development needs of third-party countries in terms of infrastructure, industrialization and urbanization, and there is a lot of room for cooperation in upgrading the infrastructure. In addition to cooperation in infrastructure, China-Japan cooperation in the financial field is also active, with 15 of the 52 agreements involving cooperation between financial institutions, such as the cooperation between Sumitomo Mitsui Banking Corporation and China Development Bank, and the cooperation between Sumitomo Mitsui Marine and Fire Insurance and China Pacific Insurance (China Ministry of Commerce, 2018). From the agreements reached, it can be seen that Chinese and Japanese companies have reached cooperation agreements in industries including energy conservation and environmental protection, elderly care and medicine, international logistics, and information technology. In the future, more China-Japan cooperation projects in these industries will land in Southeast Asia.

4.2. Cooperation between Competitors: from Geo-economics Perspective

Both China and Japan are superpowers in East Asia. After the 1990s, especially into the 21st century, with the rapid rise of China's economy, the two powers of China and Japan have become increasingly prominent in East Asia, forming a situation of competition between the two countries in East Asia and even the Asia-Pacific region. It is not difficult to understand that the development of the Belt and Road Initiative has brought tremendous pressure to Japan, so that it has adopted a series of checks and balances against China. Against this context, Japan have launched economic cooperation with China with Southeast Asia as the key region, which is inseparable from its geographical interests.

4.2.1. Japan's Geographical Interests in Southeast Asia

The natural and geographical conditions of a country are uneasy to change, and there is no choice for it. When it comes to political and economic activities and examining the various elements of geographic conditions in the interaction of international relations, geographic elements are transformed into geo-political and geo-economic elements, which are important factors that affect a country's understanding of the world and its formulation of foreign policies. The choice of Japan's geo-economic related strategies is precisely determined by its special geographical environment.

Geographically, Japan is located in the easternmost part of Asia, facing the Asian continent across the sea. The ocean separates Japan from other countries. The communicative nature of the ocean allowed the Japanese people to actively face the world in the process of modernization, from an island country to a maritime country, and also led to an important position of foreign trade in Japan's economic development. Japan's geographic location determines its lack of natural resources, under which, Japan's economic development model is mainly importing raw materials, carrying out high-value-added processing, and then exporting. Therefore, ensuring the safety of maritime routes and maintaining friendly relations with the economies where resources are imported and where goods are exported are the foundation for Japan to ensure its survival and development. These economies include Iran, Malaysia, Singapore, Indonesia, the Philippines, and Taiwan, and the security and stability of them is of vital importance to Japan. Once Japan falls into the predicament of isolation in the international community, its survival will be seriously threatened. This severe external dependence fully exposes the fragility and sensitivity of Japan's geo-economic relations.

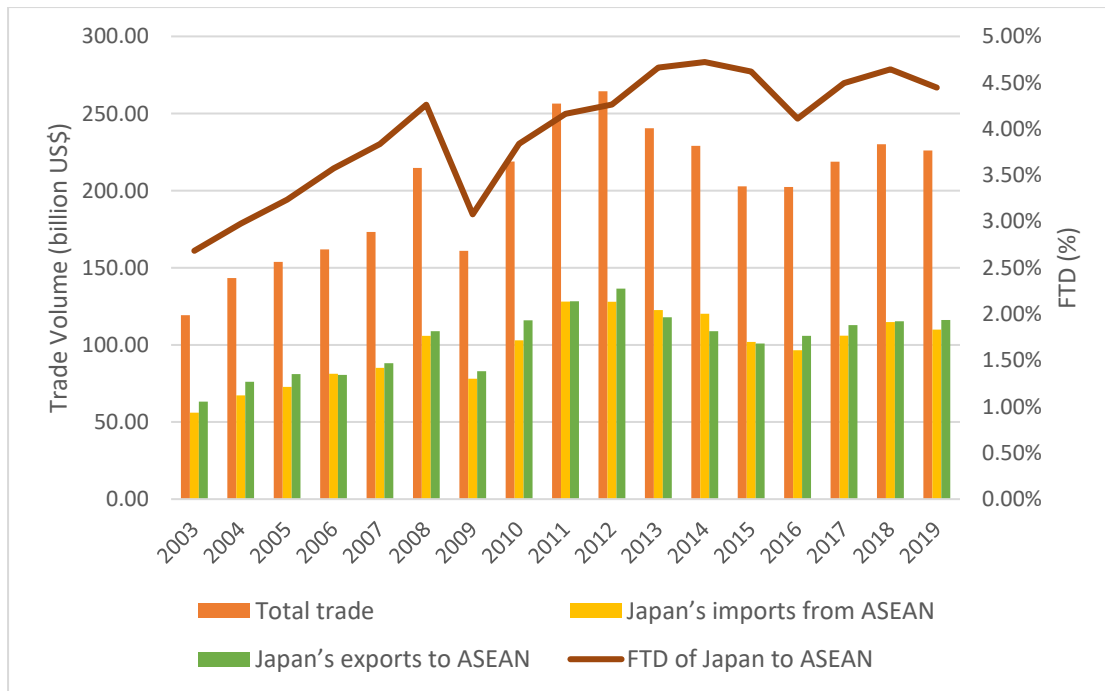


Figure 1. Trade Annually between Japan and ASEAN (2003-2019).

Data from ASEAN Stats Data Portal, available in <<https://data.aseanstats.org/trade-annually>>.

Southeast Asia has always been an important area in Japan's strategic planning. After World War II, Japan has completed the accumulation of capital for economic growth through continuous operation and development in the region, which has enhanced its prestige in the international community. And as a large number of Japanese and Japanese companies settled in Southeast Asia through investment and other methods, economic factors have become one of the most important factors that run through Japan and countries in Southeast Asia. As shown in *Figure 1*, the overall trade volume between Japan and ASEAN has shown an upward trend after the 21st century, reaching its peak of \$264 billion in 2012, although it has dropped significantly after 2008 due to the impact of the global economic crisis. However, after the peak, the trade volume between the two continued to decline, and only slightly increased after 2017. Although the total trade volume declined after 2012, Japan's trade dependence on ASEAN did not fluctuate significantly, as its FTD even showed an upward trend, which shows that Japan has a strong trade dependence on the region of Southeast Asia¹.

¹ FTD (Foreign Trade Dependence) reflects the degree of dependence of a country's economic development on foreign trade. The value is the ratio of a country's total imports and exports to its GDP. On this basis, the concept of country *i*'s trade dependence on country *j* is derived as $FTD_{ij} = TR_{ij}/GDP_i$. FTD_{ij} refers to the degree of trade dependence of country *i* on country *j*, and TR_{ij} refers to the trade volume between country *i* and country *j* (Jaffee,1985).

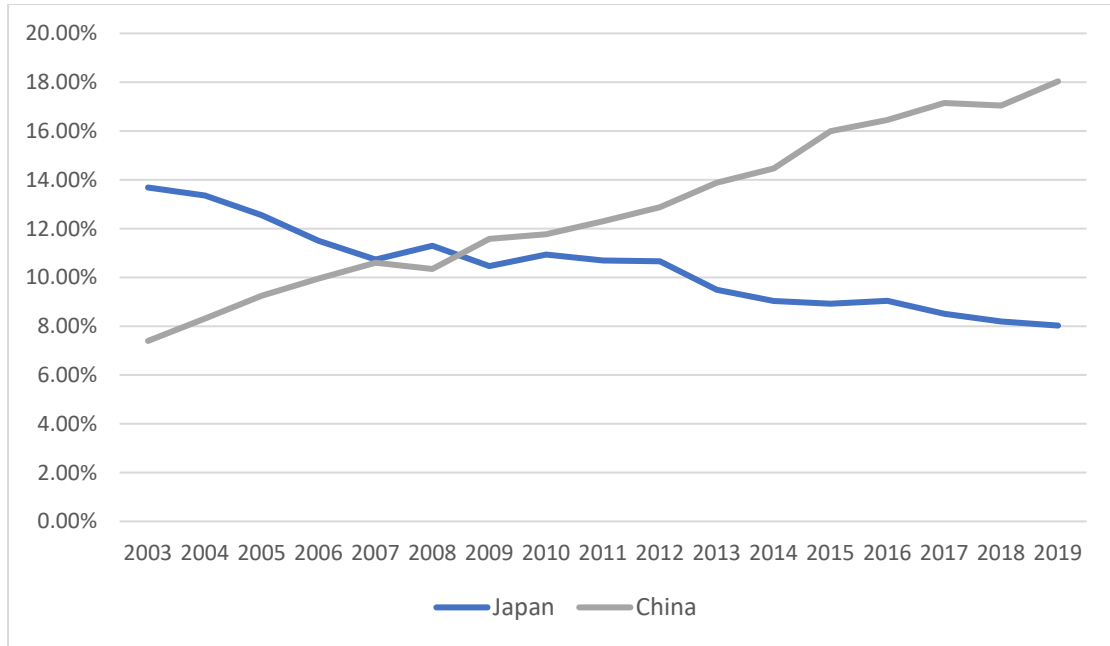


Figure 2. Trade Share of Japan and China in Southeast Asia (2003-2019).

Data from ASEAN Stats Data Portal, available in <<https://data.aseanstats.org/trade-annually>>.

Although Japan still maintains a relatively high degree of trade dependence on Southeast Asia, the dependence of Southeast Asia on Japan is undergoing dramatic changes with the rise of China. As shown in *Figure 2*, into the 21st century, the trade proportions of Japan and China with Southeast Asian countries have developed in opposite trends. In 2003, Japan-ASEAN trade volume was twice that of China-ASEAN; after 2009, China replaced Japan as ASEAN’s largest trading partner; nowadays, the trade volume between China and ASEAN is twice that of Japan and ASEAN.

The rise of great power is often accompanied by the reconstruction of the geo-economic structure, which means that the rise of China has a significant impact on the original geo-economic structure of East Asia. Under the dual background of China's rapid economic development and the long-term economic downturn of Japan, China has gradually replaced Japan as the leader of the goose, becoming the leader of East Asian economic growth and an important engine of economic growth in neighbouring economies. Countries in Southeast Asia also regard the rising China as one of their sources of economic growth.

Countries	FTD to Japan (%)				FTD to China (%)			
	1990	2000	2010	2015	1990	2000	2010	2015
Indonesia	13.29	13.65	5.85	3.63	0.93	2.75	5.66	6.29

Malaysia	24.85	30.26	15.82	11.32	2.78	5.63	20.09	32.88
Philippines	9.49	21.53	9.51	6.28	0.60	2.82	13.91	15.63
Thailand	15.08	19.21	16.21	12.25	1.40	3.34	15.53	19.11
Singapore	36.81	28.44	14.12	9.49	7.37	8.94	24.07	27.04
Brunei	38.75	28.48	31.04	19.08	0.34	0.13	7.35	11.67
Cambodia	n.a	2.85	3.27	7.04	n.a	4.38	12.83	24.58
Laos	2.85	1.94	1.40	1.63	2.42	1.83	14.57	20.81
Myanmar	n.a	3.54	1.32	3.08	n.a	5.70	8.97	23.36
Vietnam	12.54	13.71	14.11	14.29	0.04	3.92	25.96	46.57

Table 1. FTD of ASEAN countries on Japan and China during 1990-2015.

Calculated based on data from IMF Direction of Trade Statistics, available in <<https://data.imf.org>>.

FTD of ASEAN economies on China and Japan from 1990 to 2015 are compared in *Table 1*, which clearly shows the changes of the trade status of the two with Southeast Asia countries during this period. The trade dependence of these countries on Japan has generally shown a downward trend over time. Among them, Malaysia, Singapore, and Brunei, which have very high trade dependence on Japan in 1990, have declined the most. While the ASEAN economies' dependence on Japan's trade has declined year after year, it corresponds to the year-on-year increase in their trade dependence on China, and the rate of increase is particularly considerable. In the last century, countries' dependence on China's trade was much lower than that of Japan during the same period, and remained in the single digits. Among them, FTD of Indonesia, Brunei, and Vietnam on China was less than 1%. However, after the 21st century, their FTD on China has increased several times. The above shows that the rise of China has posed a great threat to Japan's inherent geographical interests in Southeast Asia, from which it is not difficult to understand why Japan has a tough confrontational attitude toward China's Belt and Road Initiative.

4.2.2. Confrontation with China's Belt and Road Initiative

China's continuous advancement in the field of infrastructure construction through the Belt and Road Initiative and Asian Infrastructure Investment Bank (AIIB) has made Japan feel pressure, and the competition between China and Japan for the leadership of infrastructure construction in the Southeast Asian region has become increasingly

fierce. Japan has long carried out large-scale overseas infrastructure construction through government development assistance. After the 21st century, due to its downturn economic, high demand for overseas infrastructure investment, and saturation of its domestic market, Japan has gradually expanded overseas infrastructure investment. Faced with the accelerating pace of China's infrastructure construction abroad, Abe's cabinet bluntly pointed out that Japan must not lose or lose the Southeast Asian market, and particularly emphasized the importance of the "East-West Economic Corridor" and "Southern Economic Corridor" in Southeast Asian for Japan's infrastructure exports (Zhao, 2020). After 2015, Japan proposed to build partnerships for quality infrastructure and to create a new strategy for overseas infrastructure exports. While the implementing of the Belt and Road Initiative, Japan's quality infrastructure partnerships are continuing to expand. Through its strategy, Japan takes high quality as the main advantage, focusing to environmental protection, personnel training and legal assistance, and actively promotes the formation of a consensus on high quality in regions and even the world (Lu, 2018). The Abe government deliberately highlighted its characteristics of high-quality to counter China's overseas infrastructure, and at the same time alluded to belittle China's overseas infrastructure construction, thereby forming a clear competitive situation with China. Japan has also announced its "rules" on various occasion – emphasizing that more attention should be paid to quality and people-centred than cost in the field of infrastructure investment, and calling for transparency and efficiency in investment standards (Pascha, 2020). These actions have an obvious purpose of taking the lead in the competition of overseas infrastructure investment and construction.

Competing for the dominance in the formulation of international economic and trade rules play an important part in global economic competition. Both China and Japan are suppliers of major regional suppliers of international economic and trade rules, and the competition between them is quite fierce. The proposal of the Belt and Road Initiative has created more opportunities for China to engage in international economic and trade with more partners, and it has also increased the possibility of enhancing China's foreign economic influence, thereby providing a concrete path for China to participate in the reshaping of international economic and trade rules. For Japan, it has seized the opportunity in East Asia and even the Asia-Pacific region as one of the dominant countries in Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In addition, through the regional economic integration strategy based on bilateral and multilateral free trade agreement negotiations such as the Japan-Europe Economic Partnership Agreement, RCEP and other bilateral and multilateral

agreements, Japan has been striving to become a country that creates regional rules. For the Belt and Road Initiative by China, Japan has tried to lobby developed countries not to join AIIB. The Ministry of Finance of Japan asserted in 2015 that the China-led AIIB cannot solve any problems and cannot gain international support, and it has also actively cooperated with the United States to lobby South Korea and Australia to boycott AIIB (Cheung, 2021). In Japan's view at that time, China's vision for the Belt and Road Initiative and AIIB would not be supported by major powers in the world.

Due to the geographical proximity, China and Japan have a high degree of overlap in the choice of partner countries, and the main competition objects are concentrated in their neighbouring countries. Foreign aid is an important way for China and Japan to win the support of partners. Japan's first choice for foreign aid activities and key areas has always been in Southeast Asia after the World War II, and it has achieved considerable results in Southeast Asian countries such as Indonesia, Thailand, Malaysia, Singapore, and the Philippines (Newman, 2002). At the Japan-ASEAN summit held in 2013, Japan pledged to provide \$20 billion in assistance to ASEAN through ODA, aiming to develop a closer partnership between Japan and ASEAN countries. Compared with Japan, China provides relatively less assistance to neighbouring regions and countries in Southeast Asia. However, through the Belt and Road Initiative, China's economic assistance to small Southeast Asian countries with prominent strategic importance such as Myanmar, Cambodia, and Laos, as well as countries with relatively large economies and relatively high levels of development, such as Indonesia and Thailand, is objectively becoming a policy tool for China to transform economic resources and power into regional influence and soft power (Yamamoto, 2020). At the same time, the Abe government began to strategically utilise ODA, with a large part of its ODA budget was used for the construction of high-quality overseas infrastructure (Meng, 2018). In the context of the rise of Southeast Asian countries, through the implementation of high-quality infrastructure assistants, Japan's soft power in Southeast Asia would be further strengthened, and its relations with Southeast Asian countries would also be enhanced.

4.2.3. Japan's Consideration: Cooperating while Competition

In the context of globalization, the interests and development opportunities of competitor countries are closely linked. When the cost of continuous competition exceeds the possible cost of mutual cooperation, it is possible for rival countries to cooperate within the scope of acceptable cooperation costs. It is possible to cooperate. Competitor countries located in the same region objectively have certain common

regional interests, so changes in the interest structure related to regional development may drive rival countries to cooperate. Cooperation between competitors which in the same region can be seen as the result of their rational choice.

A direct result of the expansion of China's influence in Southeast Asia is that it has affected or even impacted Japan's economic dominance and influence in Southeast Asia, declining its regional economic benefits, which is proved intuitively by Figure 2. At this time, Japan has two options, which have completely different income situation. The first option is to compete with China in order to maintain the original regional benefits, especially the dominant position of regional influence. However, China has become a country with strong regional comprehensive strength. Regardless of whether Japan can win in the competition, or even if Japan is superior in the competition, both losses would be the result, and the expected regional benefits can not be realized. What's worse, it provides an opportunity for other major powers to intervene in regional affairs. The another option for Japan is to cooperate with China to seek a distribution result acceptable to all parties, so as to achieve the purpose of safeguarding its own regional economic interests. As Southeast Asian countries' economic relations with China become increasingly close, Japan has to rely on China to maintain its economic cooperation with Southeast Asian countries.

Competition and cooperation are main manifestations of Geo-economies. The coexistence of economic competitiveness and cooperation is essentially for the pursuit of self-interest. Although China and Japan inevitably have frictions due to competition, it cannot prevent the two from cooperating for the sake of geopolitical interests. For example, after the 1997 Asian financial crises, China and Japan jointly participated in the establishment and implementation of the Chiang Mai Initiative, which expanded the ASEAN swap agreement and the bilateral currency swap network and repurchase agreements between ASEAN countries (Sun, 2019). In terms of Third-Party Market Cooperation with China, in June 2018, the Japanese government updated its infrastructure export strategy, clarifying to increase the scale of infrastructure exports to 30 trillion yen by 2020, with its main target of Southeast Asian countries such as Thailand, Indonesia, the Philippines, and Vietnam, and key fields of smart city construction plans, covering high-speed railways, power, information and communications, etc. (King, 2018). The eventual intention of Japan is to restrain China's international behaviour while launching economic cooperation with China, and thus to play a leading role in the process of Asian economic integration.

The cooperation between China and Japan in third-party markets is also affected by international factors. With the strengthening of the integration of the world economy and the consolidation of regional economies, Japan has become more aware of the importance of returning to Asia and establishing and developing good economic and trade relations with neighbouring countries. Since Trump took office as President, the US government's trade policy attitude has changed to a tough line, and trade protectionist policies have been pursued. Disagreements and frictions between the United States and both China and Japan in the economic and trade have intensified, and tariff wars and trade wars have occurred frequently. In this context, Japan intends to strengthen cooperation with China in the field of economy and trade. The change in Japan's attitude towards the Belt and Road initiative can also be partially explained as to avoid vicious competition between the two countries and to jointly weaken the negative impact of US trade policy on China and Japan.

In summary, the development of Third-Party Market Cooperation between China and Japan provides a clear example to explain the possibility of cooperation while the essence of strategic competition between them has not changed. The threat of China's increasing economic influence in Southeast Asia and the urgency of jointly countering to protectionism have made Japan aware of the importance and possibility of cooperating with China. This also proves from the perspective of empirical facts that between neighbour countries, competition and cooperation are not necessarily mutually exclusive.

4.3. Benefit from Comparative Advantage: a Case of Vietnam

From the perspective of Geo-economics, the fact that the rise of China has affected Japan's geographic interests in Southeast Asia has been proved, and the motives of Japan to cooperate with China in third-party markets are also been explained. However, whether the cooperation can achieve the expected results, or in other words, how the cooperation works, needs to be futered analysed from the perspective of comparative advantage. As mentioned in *Section 2.2*, Vietnam is taken as an example here. How the rise of China affects the economic exchanges between Japan and Vietnam and the basis of China-Japan cooperation in Vietnam are analysed.

4.3.1. Economic Foundation of China and Japan with Vietnam

In the past ten years, Vietnam's economy has grown rapidly, reaching 7.02% in 2019, when its inward FDI (Foreign Direct Investment) reached the highest level in 10 years

at \$20.38 billion¹. Vietnam's economic reforms and market opening are accelerating. In addition to ASEAN, it has also joined APEC, CPTPP, RCEP, and plays an increasingly important role in Asian economic cooperation.

Both China and Japan are Vietnam's important trading partners, and with the economic growth of the three countries, their economic and trade relations are getting closer. In terms of trade scale, after the total trade volume between China and Vietnam reached \$19.46 billion in 2008, the trade between the two countries grew rapidly, reaching \$148.10 billion in 2018. Vietnam has become the country with the largest import and export scale since China put forward the Belt and Road initiative and ranks first among the top ten trading partners of the initiative. The annual growth rate of China-Vietnam's trade volume has reached 12% from 2014 to 2018, which is much higher than that of other trading partner countries². The trade between Japan and Vietnam has basically maintained a continuous upward trend. However, from the perspective of Vietnam, the proportion of total trade with China and Japan has significantly different trends.

Year	With Japan (%)			With China (%)		
	Total Trade	Import	Export	Total Trade	Import	Export
2000	16.19	14.72	17.78	9.75	8.96	10.61
2005	12.16	11.08	13.38	13.22	16.05	10.01
2010	10.66	10.63	10.70	17.79	23.81	10.72
2015	8.63	8.55	8.70	20.14	29.82	10.23
2019	7.71	7.71	7.72	22.59	29.82	15.66

Table 2. Proportion of trade with Japan and China in the total trade volume of Vietnam.

Calculated based on data from UN Comtrade, available in <<https://comtrade.un.org>>.

It can be found from *Table 2* that the proportion of China-Vietnam bilateral trade in Vietnam's total trade has continued to increase, from 9.75% in 2000 to 22.59% in 2019; while Japan-Vietnam bilateral trade as a proportion of Vietnam's total foreign trade has gradually declined from 16.19% to 7.71%. The trend shows that in Vietnam's foreign trade, China's importance has been significantly greater than that of Japan, and

¹ Data from ASEAN Stats Data Portal, available in <<https://data.aseanstats.org/trade-annually>>.

² Data from General Administration of Customs of China, available in <<http://www.customs.gov.cn/customs/syx/index.html>>.

China's position is still rising, while Japan's position continues to decline. In 2019, the proportion of China-Vietnam bilateral trade in Vietnam's foreign trade was about three times that of Japan-Vietnam bilateral trade. Although Vietnam's trade with China and Japan has shown such a trend, it does not prevent China and Japan from being Vietnam's top five trading partners, and they also have a close relationship with Vietnam in FDI.

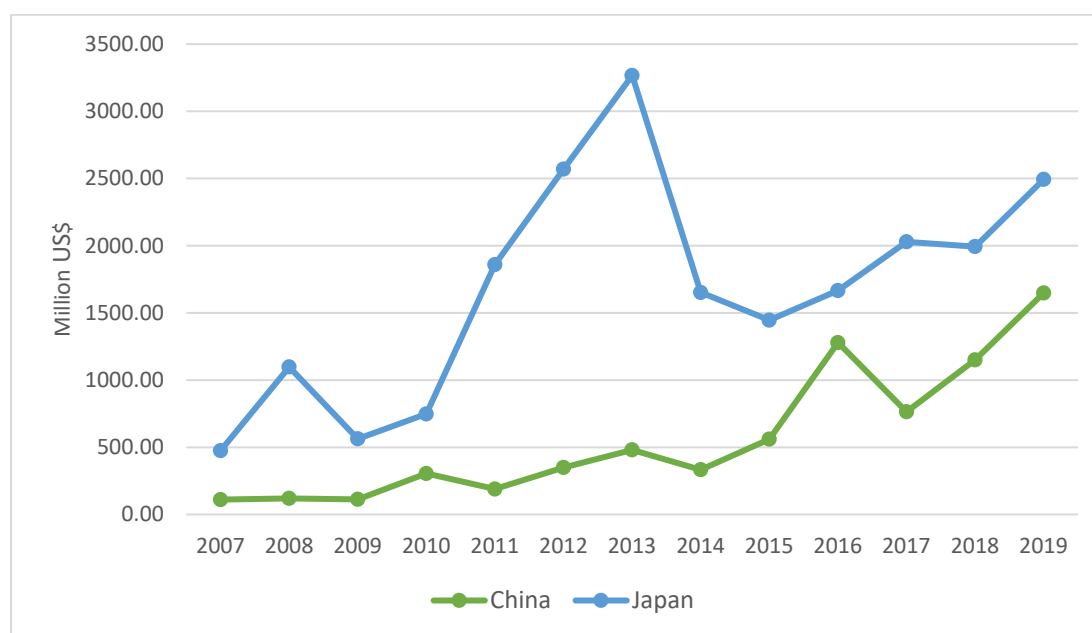


Table 3. FDI from China and Japan to Vietnam (2007-2019).

Data from National Bureau of Statistics of China and Japanese External Trade Organisation, available in <<https://data.stats.gov.cn/easyquery.htm?cn=C01>> and <<https://www.jetro.go.jp/en/reports/statistics.html>>.

Table 3 shows inward FDI flows of Vietnam from China and Japan during 2007-2019. Vietnam has attracted a large amount of foreign investors, among which Japan has consistently ranked first in terms of investment. Although Japan's FDI to Vietnam dropped by 30% in 2014, it has maintained a steady upward trend since then. For China, before its Belt and Road Initiative was proposed in 2013, China's FDI in Vietnam remained at a low level, while after that, the average annual growth rate was as high as 15.95%, and the gap with investment of Japan in Vietnam became smaller. Judging from the overall status quo, Vietnam is an important overseas investment market for China and Japan, which provides a solid foundation for Third-Party Market Cooperation between China and Japan.

4.3.2. Trade Characteristics of China and Japan with Vietnam

By analysing the trade characteristics of China and Japan with Vietnam, the position and role of China and Japan in the Vietnamese market would be clear. In this section, on the one hand, the degree of trade intensity between China and Japan with Vietnam is calculated to derive the trade relationship between China and Japan and Vietnam and its changing trends. On the other hand, the characteristics of the trade structure between China and Japan with Vietnam is measured, that is, the trade complementarity of various industries, to judge whether China and Japan have a basis for cooperation in Vietnam.

The trade intensity index (T) can be used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. $T = 1$ indicates that the trade intensify degree of the two countries is the same as the world average level; if T is smaller (larger) than 1, it means the trade intensify degree of the two countries is lower (higher) than that of the world. The higher the value of T, the higher the degree of trade integration closer trade relations between the two countries.

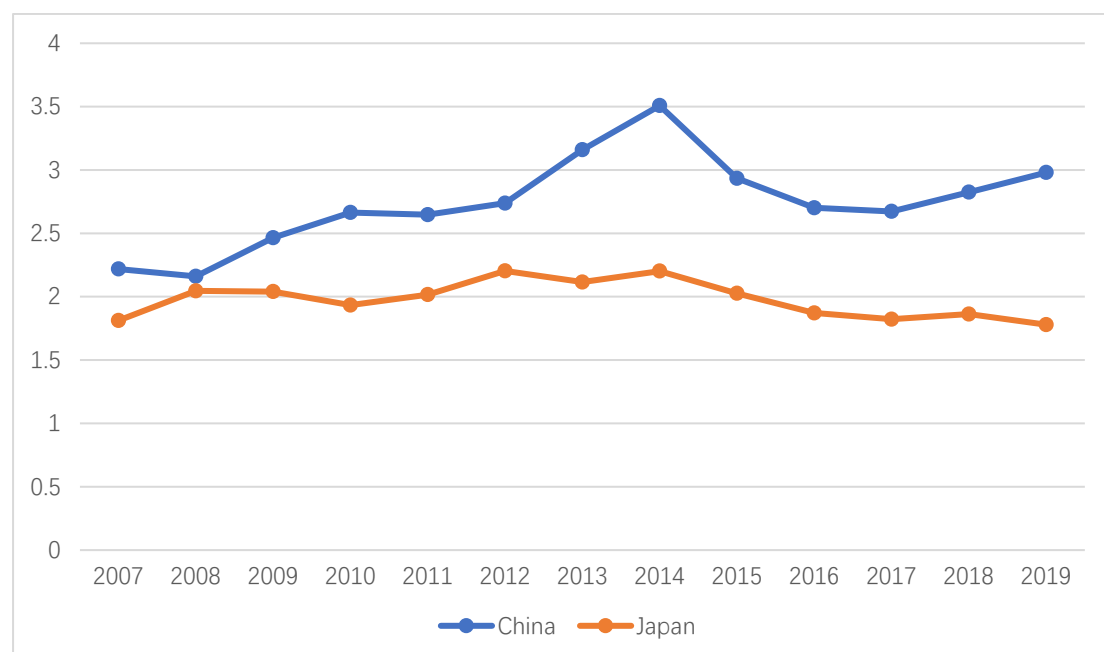


Figure 3. Trade Intensity Index of China and Japan with Japan (2007-2019).

Calculated based on data from WTO Data Portal, National Bureau of Statistics of China and Japanese External Trade Organisation, available in <<https://data.wto.org/>>, <<https://data.stats.gov.cn/easyquery.htm?cn=C01>> and <<https://www.jetro.go.jp/en/reports/statistics.html>>.

Figure 3 shows that the degree of trade intensity between China and Japan with Vietnam is higher than the world average level. For China, the trade intensity index with Vietnam has declined after reaching its peak in 2014, but it remains at a relatively high level, and is still on an upward trend – it was at its lowest at 2.16 in 2008, while reached 2.99 in 2019. From the perspective of Japan, the degree of trade intensity with Vietnam fluctuated slightly, basically staying at around 2. From this, it can be seen that the China-Vietnam trade relationship has continued to strengthen, and there is still room for growth in the future, while the trade relations between Japan and Vietnam has shown a stable state. The degree of trade intensity between China and Japan with Vietnam was similar in 2008, but as time goes by, the gap in the degree of trade intensity between China and Japan with Vietnam has become more obvious.

When it comes to specific industries, the concept of trade complementarity is introduced to explore where the comparative advantages of China and Japan with Vietnam lie, and to measure the complementarity between Chinese and Japanese products and the Vietnamese market. According to the calculation of TC in the theory part, trade complementarity index of different types of commodities in trade between China and Japan with Vietnam can be obtained¹.

	Category	2011	2013	2015	2018	2019
<i>TC_{JV}</i>	Food & Live Animals	0.09	0.10	0.11	0.11	0.12
	Beverages & Tobacco	0.07	0.05	0.05	0.04	0.03
	Raw Materials	0.42	0.53	0.50	0.42	0.45
	Fuels & Lubricants	0.08	0.06	0.08	0.08	0.07
	Animal & Vegetable Oils	0.05	0.04	0.03	0.03	0.03
	Chemicals	1.22	1.23	0.93	0.94	0.91
	Manufactured Goods	1.99	2.10	1.79	1.53	1.44
	Machinery & Transport Equipment	1.62	2.20	1.84	1.82	1.79
	Miscellaneous Manufactures	0.33	0.33	0.28	0.40	0.42
	Others	0.91	0.11	0.14	0.06	0.08

¹ Standard International Trade Classification (SITC) is referenced.

TC_{VJ}	Food & Live Animals	4.20	2.83	2.56	2.32	2.05
	Beverages & Tobacco	0.70	0.62	0.51	0.41	0.38
	Raw Materials	1.81	1.39	1.19	0.95	0.84
	Fuels & Lubricants	1.31	0.88	0.57	0.45	0.42
	Animal & Vegetable Oils	0.14	0.14	0.17	0.06	0.08
	Chemicals	0.22	0.19	0.20	0.16	0.17
	Manufactured Goods	0.60	0.54	0.60	0.61	0.63
	Machinery & Transport Equipment	0.39	0.69	0.78	0.86	0.98
	Miscellaneous Manufactures	3.27	2.93	2.92	2.91	2.92
	Others	0.07	0.01	0.03	0.01	0.01

Table 4. Japan-Vietnam Trade Complementarity Index (2011-2019). TC_{JV} represents the complementarity between Japan's exports and Vietnam's imports, and TC_{VJ} represents the complementarity between Vietnam's exports and Japan's imports.

Calculated based on data from UN Comtrade, WTO Data Portal and Japanese External Trade Organisation, available in <<https://comtrade.un.org/data/>>, <<https://data.wto.org/>> and <<http://www.jetro.go.jp/en/reports/statistics.html>>.

As shown in Table 4, for Japan, chemicals, manufactured goods, machinery and transport equipment are categories of high complementary in trade with Vietnam. With the rise of China and the advancement of the Belt and Road Initiative, the trade complementarity between Japan and Vietnam has undergone some changes. Japan's TC index of categories mentioned above has all declined to varying degrees. In particular, the TC of chemicals have fallen from 1.22 in 2011 to 0.91 in 2019. For Vietnam, categories of food and live animals, and miscellaneous manufactures are highly complementary goods of trade with Japan, though the trade complementarity of raw materials and fuels & lubricants has dropped significantly.

	Category	2011	2013	2015	2017	2019
TC_{CV}	Food & Live Animals	0.57	0.50	0.47	0.48	0.48
	Beverages & Tobacco	0.06	0.06	0.05	0.05	0.06
	Raw Materials	0.22	0.20	0.21	0.19	0.18

	Fuels & Lubricants	0.07	0.04	0.05	0.08	0.09
	Animal & Vegetable Oils	0.07	0.05	0.05	0.04	0.02
	Chemicals	0.72	0.63	0.53	0.57	0.44
	Manufactured Goods	2.52	2.61	2.50	2.23	2.19
	Machinery & Transport Equipment	1.32	1.64	1.46	1.48	1.53
	Miscellaneous Manufactures	1.00	1.12	0.90	1.21	1.51
	Others	0.02	0.00	0.00	0.00	0.01
TC_{VC}	Food & Live Animals	0.92	0.86	0.94	0.84	0.81
	Beverages & Tobacco	0.14	0.16	0.17	0.14	0.15
	Raw Materials	3.77	3.03	2.28	2.14	1.82
	Fuels & Lubricants	0.65	0.42	0.33	0.29	0.28
	Animal & Vegetable Oils	0.44	0.41	0.33	0.12	0.09
	Chemicals	0.25	0.24	0.20	0.17	0.13
	Manufactured Goods	0.60	0.56	0.54	0.51	0.44
	Machinery & Transport Equipment	0.67	1.11	1.12	1.20	1.34
	Miscellaneous Manufactures	2.10	1.74	1.61	1.50	1.46
	Others	0.12	0.08	0.08	0.02	0.05

Table 5. Japan-Vietnam Trade Complementarity Index (2011-2019). TC_{CV} represents the complementarity between China's exports and Vietnam's imports, and TC_{VC} represents the complementarity between Vietnam's exports and China's imports.

Calculated based on data from UN Comtrade, WTO Data Portal and National Bureau of Statistics of China, available in <<https://comtrade.un.org/data/>>, <<https://data.wto.org/>> and <<https://data.stats.gov.cn/easyquery.htm?cn=C01>>.

In terms of the trade complementarity between China and Vietnam, as shown in Table 5, most exporting industries of China shows relatively low trade complementarity with Vietnam, while some industries including manufactured goods, machinery and transportation equipment, and miscellaneous manufactures have a high degree of

coincidence. For Vietnam, industries such as fossil fuels, raw materials, and miscellaneous products have a high degree of complementarity with China. Since the proposal of the Belt and Road Initiative, the complementarity index of fuels and lubricants has dropped significantly, while that of machinery and transportation equipment, and miscellaneous products with China have increased.

Comparing the complementarity between China and Japan in trade with Vietnam, it can be found that Japan had a wider area of trade complementarity with Vietnam than China, and the degree of complementarity was also significantly higher than that of China. With the development of the Belt and Road Initiative, the trade complementarity between China and Japan with Vietnam has both changed. In China's trade with Vietnam, industries with high complementarity have increased, while Japan's trade with Vietnam's industries with high complementarity have relatively decreased. From the perspective of Vietnam, similar changes have occurred. The reason of complementary changes in trade between China and Japan with Vietnam not only lies in the change in the industrial competitiveness of China and Japan, but also in the adjustment of the industrial structure and export commodity structure of Vietnam as a third-party market. Judging from the situation before China and Japan reached the agreement on Third-Party Market Cooperation in 2017, China and Japan have a large overlap in categories where have highly complementary with Vietnam, which are concentrated in manufactured goods as well as machinery and transport equipment. If Japan continues to compete with China in these industries, Japan's interests in Vietnam may suffer even greater losses, as Japan's complementarity has already shown a downward trend. In this context, cooperation is likely for Japan to complement each other's advantages with China in these areas, so as to maintain its own advantages in Vietnam and even the region of Southeast Asia.

4.3.3. China-Japan Cooperation Projects in Vietnam

The cooperation projects between Chinese and Japanese companies in Vietnam effectively integrate the comparative advantages of the two sides and have positive externalities for the local economic development of Vietnam. In general, Third-Party Market Cooperation between China and Japan in Vietnam has two forms. The first is to integrate engineering and financing – financial institutions in both China and Japan provide diversified financial tool services to expand the financing channels of their cooperation projects in Vietnam, and participate in the preliminary planning, mid-term construction and later maintenance of the cooperation projects, so as to improve the financial security and convenience of their cooperation. The other is cooperation in

engineering, that is, companies of both China and Japan cooperate in the infrastructure such as power, transportation, and communications in Vietnam through engineering contracting, managing, designing, and constructing, so as to provide Vietnam with high-quality engineering construction and operation solutions by combining the infrastructure capabilities of Chinese companies and the international management experience of Japanese companies.

The Export-Import Bank of China and the Japan Bank for International Cooperation have a long-term foundation for cooperation in third-party markets. As the policy financial institutions, both of them have established cooperation channels for joint financing and technical cooperation in Third-Party Market Cooperation between Chinese and Japanese companies. With the continuous deepening of cooperation, the two institutions have provided specialized services for a number of projects by virtue of their policy-based financial institutions' low-interest and stable loan models and rich experience in international fund management, and have reduced the loan cost exchange rate risk that may arise from single currency liabilities through the implementation of diversified currency financing methods (Wu and Ding, 2020).

The second phase of the Vietnam Sea Fire Power Station is a project jointly invested and constructed by Chinese and Japanese companies and policy financial institutions. The project adopted the method of EPC (Engineering General Contracting) and was jointly constructed by a consortium formed by China Dongfang Electric Group Co., Ltd. and Marubeni Co., Ltd. of Japan. The consortium has fully participated in the construction of the entire chain, including the preliminary planning, equipment supply, engineering construction, technical training, and commercial operation of the project (China National Development and Reform Commission, 2019). Regarding the financing structure, the State Power Corporation of Vietnam was the borrower of the project, the Export-Import Bank of China and the Japan Bank for International Cooperation provided co-financing financial services for it, and the Ministry of Finance of Vietnam provided guarantees. As a cost-effective power project in Vietnam, the project improved the power supply and demand structure of residents and industries in northern Vietnam, and created considerable economic benefits for the National Power Company of Vietnam.

Under the framework of Third-Party Market Cooperation, the cooperation projects of Chinese and Japanese companies in Vietnam are mainly concentrated in the basis industries of the national economy such as the power, cement, manufacture and transportation, involving key industries related to the sustainable economic and social

development of Vietnam, and are of great significance to the rapid advancement of Vietnam's industrialization and modernization. China and Japan have a high degree of economic interdependence, and Vietnam is an important link in the global value chain between China and Japan. In this context, China and Japan can conduct extensive cooperation with Vietnam in strategic docking, industrial transferring, and technology R&D. Moreover, the development potential of Vietnam's own economy can also create a good business environment for China and Japan to carry out Third-Party Market Cooperation. Chinese and Japanese companies can rely on their respective production capacity and technological advantages to create a new engine for the sustainable development of industrialization and modernization in Vietnam.

5. Conclusion

The competition situation between China and Japan was obvious. Japan initially held strong hostile considerations to the Belt and Road Initiative which was proposed by China in 2013, and held that it was an initiative of China to integrate East Asian geopolitical plates, increase political influence, and weaken the existing international order dominated by the United States and Japan. Therefore, Japan regards the Belt and Road initiative as a challenge, and tries to obstruct its implementation through competing with China in many fields including infrastructure construction, international economic and trade rules, and neighbour partnership.

With the advancement of the Belt and Road Initiative and the continuous opening of China's economy, Japan's long-standing status as an important economic partner in Southeast Asia has been greatly threatened. Although Japan still maintains a relatively high degree of trade dependence on Southeast Asia, the dependence of Southeast Asia on Japan is undergoing dramatic changes with the rise of China. Japan began to explore cooperation with China in third-party markets in 2018, and it also showed that Japan's domestic opposition to the Belt and Road Initiative has eased. The reason why China and Japan are highlighting mutual cooperation in the context of the Belt and Road Initiative is affected by many factors.

Given the situation that Japan has not joined the Belt and Road Initiative, this thesis analyses Japan's motivations for cooperation with China in third-party markets from the perspective of Geo-economics and Comparative Advantage, and the findings are summarized as the following: (1) The rise of China and the implementation of the Belt and Road initiative have continuously negatively affected Japan's economic position in Southeast Asian countries, while these countries are extremely important in Japan's geo-economic structure. Confrontation and competition with China and its international strategy have not been effective in balancing China, which lead Japan to seek Third-Party Market Cooperation with China so as to maintain its own geographical interests in Southeast Asia. (2) China and Japan have comparative advantages in similar industries in trade with the third parties and they have their own strengths in these fields. In the context of China's widespread promotion of multilateralism and international cooperation, reaching the consensus on cooperation with China is conducive to create more opportunities for Japan to play to its own advantages, so that it can maintain its position and achieve the goal of balancing China.

The international behaviour of a country is affected by many factors, and this thesis tries to explain Third-Party Market Cooperation between China and Japan only from the economic perspective. However, in the process of analysing the research question of this thesis, some other factors about why Japan chooses to cooperate with China in third-party markets also have been mentioned. For example, if China and Japan, which occupy an important position in the East Asian economy, can reach an agreement to form a benign interaction with other economies in East Asia, regional cooperation in East Asia is bound to advance rapidly to counter the regional community composed of Western developed countries. In addition, the United States plays an important role in China-Japan relations. Japan strongly relies on its alliance with the United States as the basis of its foreign strategy. However, Japan has strengthened its policy autonomy in some areas, and some foreign policies have obvious conflicts with the United States, which can be confirmed by its choice of Third-Party Market Cooperation with China.

With the U.S.-Japan alliance as the core, the Abe administration continued diplomatic contacts with China but maintained a sense of distance in accordance with Japan's national capabilities and interest perceptions in order to respond to new changes in the international situation. On September 16, 2020, Suga Yoshihide was elected as the 99th Prime Minister of Japan. With the new background, the future direction of Japan's economic and foreign policy towards China is unknown. However, for historical reasons, Japan has always been difficult to get rid of the inequality in Japan-US relations, and it is difficult to be characterized as a superpower with completely independent will, which makes it more difficult to change the nature of the China-Japan relations as competitors. Nevertheless, the realization of multi-party win-win of Third-Party Market Cooperation between China and Japan has brought new enlightenment at least in advancing the process of cooperation in the East Asia region and exploring the way China and Japan get along.

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