

Overestimating the Power of China's BRI – Lessons Drawn from Japanese ODA Engagement in Asia

By Raymond Yamamoto

China's Belt and Road Initiative (BRI) proposed by President Xi Jinping in 2013 is among the most ambitious global visions promoted by one country. The general goal of BRI is the provision of economic infrastructure worth at least \$1 trillion to improve the land and sea routes between Asia, Africa, and Europe. In order to attract additional international investments to finance the initiative, China even created a multilateral bank – the Asian Infrastructure Investment Bank (AIIB) — in 2015. However, China's ambitious BRI strategy has met considerable criticism from politicians and policy-makers, journalists, analysts, and scholars. These criticisms include accusations of pursuing debt-trap diplomacy to gain concessions from countries participating in BRI. The decision of Sri Lanka in 2018 to lease Hambantota port to China in order to reduce its BRI debt burden is often cited as a prime example. Together with growing Chinese military strength and assertiveness in the South and East China Seas, BRI is being framed as an instrument deployed by China to build up its global dominance.

However, at least in the case of Asia, the fear of China gaining unrestricted control over other countries through BRI is unfounded when looking at Japan's provisions of infrastructure through its Official Development Assistance (ODA) since 1954. China's BRI does not differ much from Japan's ODA. Moreover, in a manner similar to China, Japan was harshly criticized by the international community for its ODA approach, which substantially differed from those of other OECD countries. The targets of criticisms were three distinct characteristics of ODA that could be found in China's BRI as well: the assistance provided was mainly financed through loans that required repayment; the loans were tied to Japanese goods and services; and domestic socioeconomic and political conditions in recipient countries were neglected.

Initially, Japan did not dedicate much attention to the economic and social impacts of its ODA. Its approach considered only its own economic benefit. Disregarding the recipients' circumstances, Japan's ODA contributed to corruption, debt and controversial expropriations for large-scale infrastructure projects. The economic penetration of Japan in Southeast Asia triggered large anti-Japanese riots. The perception of Japan as an economic imperialist ruthlessly exploiting the region sparked violent protests across Southeast Asia in 1974. The strong anti-Japanese sentiments quickly led the country to adopt the Fukuda Doctrine, promising heart-to-heart partnerships based on mutual trust. Following the doctrine, Japan began acknowledging the particular needs of recipient countries, while initiating the process of untying ODA from its own goods and services.

Japan was compelled to include the recipients' interests in its policies in order to avoid growing mistrust and criticism against its ODA, which was perceived as being motivated by selfish national

Raymond Yamamoto, Assistant Professor at Aarhus University in Denmark, explains that “The fear of China gaining unrestricted control over other countries through BRI is unfounded when looking at Japan's provisions of infrastructure through its Official Development Assistance (ODA) since 1954. ”

interests rather than philanthropic or public good sentiments. Japan's economy was largely dependent on the success of ODA, which fulfilled several important tasks. ODA secured natural resources Japan was lacking, simultaneously creating production sites in countries with cheaper labor and strengthening economies, which then increased the purchasing power, demand and market for Japan-made goods. One has to bear in mind that China's BRI strategies primarily advance the country's own economic development, which plays an important role in the Communist Party's political legitimization. With the era of Chinese high economic growth ending, the enormous domestic demand in the construction and machinery sectors is decreasing. BRI may help China in this economic transition, creating opportunities to export the overcapacity in those sectors to other countries. The infrastructure promoted by BRI also sets the groundwork for exporting some of the manufacturing sites due to growing labor costs in China. Moreover, being a country that relies heavily on exports, there is a great economic incentive to increase purchasing power in other countries, even more against the backdrop of the intensifying trade friction with the United States which has led to tariffs on Chinese products exported to the United States.

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Due to the centrality of BRI for its economy, China cannot afford to ignore the increasing number of problems and criticisms related to its implementation. For example, the Myitsone dam project in Myanmar that China has been pushing is on hold because of environmental and social concerns. Malaysia's Prime Minister Mahathir canceled a railway and two gas pipeline projects over concerns about the terms. Even Pakistan, formally a devoted BRI partner and close political and security partner of China is currently reviewing its cooperation with Beijing. Like Japan in the 1970s, China is in the process of making several concessions indicating its willingness to take more responsibility for the economic, social and environmental impacts of its assistance, thus answering to the external pressures demanding that the country address the recipients' interests. In the past, many countries in Asia did not have alternatives other than solutions offered by China to satisfy a great demand for infrastructural development. In the early 2010s, China was a pioneer in offering quick, affordable and un-bureaucratic infrastructure. However, the circumstances are changing. Many countries and multilateral organizations are now responding to the demands for infrastructure, providing a growing number of competing alternatives to China's BRI. In this new competitive environment, China is being pushed to be more responsive to concerns of BRI recipient countries.

Without a doubt, BRI is a massive project with a global impact. For a new player in the field of development assistance, project failures — such as cost miscalculation because of poorly conducted feasibility studies — could be considered a matter of course. However, the margin to utilize BRI as a coercion tool is rather small, as China's economy depends on its positive reception and success. Thus, the argument that China is using assistance deliberately causing large debts to aggressively increase its influence in Asia is questionable, as it would cause irreparable damage to the reputation of BRI. The history of Japan's ODA teaches that China will continuously adapt its BRI practices to meet the needs of its partners; ultimately with the aim of helping itself.

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