



Sino-Japanese Competition over the “aid market” in ASEAN: Political Tensions and Consequences

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Abstract: This article aimed to shed light on viability of politically motivated Sino-Japanese aid competition in Southeast Asia and its social and economic implications from the recipients’ perspectives. One of the central messages of this article is, “local conditions matter” for aid projects to attain their expected economic outcomes. Post-war Japan started as a recipient country of World Bank loans, with monumental infrastructure, most of which were considered a success. This article challenged this conventional view and argued that they had mixed results at least in the short-run for those politically motivated projects. China and Japan seem to be competing over “national pride” rather than “national interests” when it comes to foreign aid in infrastructure. The rivalry challenges the unity of Association of Southeast Asian Nations (ASEAN) from the member countries’ points of view, where there seems to be a widening gap between nations that are increasingly integrated into BRI networks through “connectivity” rhetoric and those that remain disconnected from the network. The paper concluded with the implications of Sino-Japanese aid competition for post-COVID international relations.

Keywords: ASEAN, COVID-19, Belt and Road Initiative (BRI), connectivity, aid competition

Introduction

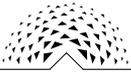
The COVID-19 pandemic is quite likely to be remembered as the most significant turning point in history after World War II. In the same year that the World Bank, in its World Development Report 2020, shed light on the effectiveness of “global value chains,” quite ironically, a “negative globalization” has become apparent as the poor, the elderly, and other weak groups within society have suffered considerable setbacks in both developed and developing countries. The plan for a “post-COVID” reconstruction must start from the decision of whether countries should progress in the direction of co-existence and co-prosperity or that of isolation. Given the influence held by Japan and China in the Asian economy, one must be aware of how much responsibility each country holds. The unfortunate reality is that on-going battles of words between America and China have gathered attention as the world strives to find countermeasures to COVID-19,

and it exemplifies the “G-Zero World” (Bremmer, 2014), the power vacuum in international politics. Is there a way for Japan to contribute to the international public good without being involved in the conflict between these two countries?

Looking back, China and Japan waged war twice in modern history, and both countries have even scores. Japan defeated China in Sino-Japanese War (1894-1895) and gained Taiwan’s territory as well as territorial status of the Korean Peninsula as a result, making Japan a military power in East Asia in the late 19th century. Japan was later defeated by China in the “Greater East Asia War”¹ (Second Sino-Japanese War 1937-1945, World War II 1941-1945, combined). Diplomatic ties were reestablished in 1972 with a historic reconciliation and symbolic “handshake” between Premier Zhou Enlai and Prime Minister Kakuei Tanaka. Despite occasional tensions over political or territorial issues over the Senkaku Islands, the two countries have intensified economic interdependence ever since. Until the outbreak of the COVID-19 pandemic, major touristic destinations in Japan were hospitable to visitors from China who spent thousands of dollars during their stay. With a decreased young population in Japan, top universities in Japan depend more and more on tuition paid by wealthy Chinese students who also study really hard.

Despite economic and cultural rapprochement over the past several decades, a business war has been severely fought between these historical rivals across the globe in recent years, and most fiercely in Southeast Asia. During Deng Xiaoping’s state visit to Japan in 1978, he rode on the Japanese high-speed railway (HSR) or ‘Shinkansen’ (new line) and was reported as saying “this is the speed [to which] we must catch up.” (People’s Daily online, 2008) Who imagined that in just 30 years China and Japan would compete for speed and contracts of HSR in the world? In September 2015, Japan lost a USD 5 billion contract to China to build Indonesia’s HSR connecting Jakarta and Bandung. In the same year, Japan won a contract over China to build India’s first HSR connecting Mumbai and Ahmedabad. Competitions have been witnessed in other countries; Thailand, Singapore-Malaysia, and Vietnam, though some of these countries have given up their HSR plans as it turns out that it is not cost-effective enough and thus difficult to convince taxpayers who would bear the financial burden.

The clash over HSR is inevitable. On one hand, Chinese HSR has been a major tool to enhance economic as well as political “connectivity” among major cities in China. China’s HSR serves half of the entire population of China and, with more than 4,000 km of HSR network, it has caught up with and gone beyond Japan’s HSR despite the latter being inaugurated much earlier. Beijing, Shanghai, Guangzhou, Hong Kong, and up to Ürümqi (Uighur) are all serviced. It is not surprising and geographically (or geo-economically) natural for China to try to extend its network from Kunming to Phnom Penh (Cambodia) or Bangkok (Thailand) in the Greater Mekong River Sub-Region (GMS) Countries, as an important vehicle to promote its Belt and Road Initiative (BRI). On the other hand, the Shinkansen, the fastest and safest train in the world for decades since inauguration in 1964, has been a source of national pride for many Japanese. The defeat of Shinkansen in Indonesia in 2015 prompted the Abe Administration to announce the Quality Infrastructure Partnership (QIP) campaign in 2015 (Zhao, 2019), and more recently, the Free and Open Indo-Pacific (FOIP) Initiative. The FOIP has been received with great concern among



policymakers in China, it is viewed as a “negative campaign against BRI” (China net online, 2019) working as a strategy against China to contain it through the networks of US, ASEAN member countries and increasingly India. Japan sees BRI rather negatively meanwhile China regards FOIP/QIP in quite the same way.

Obviously, HSR represents only a small part of official development assistance (ODA) for both countries. Other fields of regional public goods, such as public health (medical assistance, for example) against pandemics, maritime security against pirates, and employment creation programs during the economic crisis, could be less mutually exclusive and thus there is still room for possible collaboration in the future. Though public transportation is in the general public interest, riding the HSR is a luxury for most users in developing countries. This was also the case for Japan around the time of its inauguration in 1964. Therefore, HSR has been seen as a more lucrative investment than non-lucrative aid for China and Japan. Competition in the market can maximize social surplus, as economics textbooks tell us, but only with a perfectly competitive market. There are only a limited number of players in the HSR market, and these companies are *virtually* state-owned or government supported. This results in conditions (costs and benefits) that may well fall below the level of efficiency, which makes such projects economically unviable for the recipient country.

Regardless of whether one likes or dislikes the concept of “international connectivity”, its permeation and expansion within various fields is an undeniable social phenomenon of modern times. Its influence in diplomatic policy is considerable as is how it affects economic policy. The Belt and Road Initiative reduces the trading and logistics costs between countries thus helping them achieve peace and prosperity through international trade, consistent with the type of liberalism that has supported post-Adam Smith (The Wealth of Nations, 1776) free market theory and international organizations such as the World Bank and the World Trade Organization (WTO). From a free competition viewpoint, competition between Japan and China to provide the best quality aid is desirable.

This article tries to shed light on the viability of politically motivated Sino-Japanese aid competition in Southeast Asia and its social and economic implications from the recipients’ perspectives. One of the central messages of this article is, “local conditions matter” for aid projects to attain expected economic outcomes. The post-WWII Japan started as a recipient country of World Bank loans spent on monumental infrastructure projects (dams, power plants, roads and railways, in particular), most of which were considered a success. This article challenges this conventional view and argues that they had mixed results at least in the short-run for those politically motivated projects (with parochial interests), such as HSR. Already back in the early 1960s, the World Bank report (1961) warned against the various risks of Japanese HSR, which are quite suggestive for Sino-Japanese competition over HSR in Southeast Asia. Today, the two countries seem to be competing over “national pride” rather than “national interests” when it comes to rail. The paper attempts to capture the significant lack of internal and external coherence for China to push the HSR bids in Southeast Asia, where the term “connectivity” is interpreted as a hidden agenda for Chinese

leadership. It also explores the unity of Association of Southeast Asian Nations (ASEAN) from local views, where there seems to be a widening gap between nations that are increasingly integrated into BRI networks through “connectivity” rhetoric and those that remain disconnected. Finally, the paper concludes with implications of Sino-Japanese aid competition on post-COVID international relations in Asia.

Sino-Japanese “War” Over Southeast Asia in the 21st Century

During the summer of 2020, Ginza streets in central Tokyo were decorated with “Tokyo 2020” flags, despite no real Olympic Games being held due to the COVID-19 pandemic. Olympic Games held in Japan and China marked somewhat fateful turning points in modern history - characterized by wars and conflicts. For instance, the Tokyo Olympic Games have been cancelled twice, the first one in 1940 due to the Sino-Japanese War, and the second one in 2020 was “postponed” due to the pandemic “war”. The 1964 Tokyo Games was seen as a turning point of the *post-war* reconstruction of Japan. The Shinkansen (or Japanese HSR), the world’s fastest train at that time, started to operate just a week before the Olympic Opening Ceremony. In the 1960s, China was completely isolated from the rest of the world and their economy deteriorated amidst the ideological campaign during the Cultural Revolution. The country launched drastic economic reforms with an open door policy under Deng’s leadership in the late 1970s, leading the nation eventually to become a major economic power by the early 2000s. The 2008 Beijing Olympic Games marked another turning point in Sino-Japanese history after which China overtook Japan as the second largest economic power in the world.

Since around the 2008 Beijing Olympic Games, however, China started to play a role of regional leadership, or in the eyes of most Western observers, an emerging “hegemonic power” threatening the Pax-Americana that characterized, for better or worse, most of the time in the post-war period. For most developing countries, the so-called “spirit of Bandung”² (from the Bandung Conference of 1955) survived the Cold War period as common values if not *binding principles*. At the same time, it was often used as political rhetoric justifying non-interference policies for assisting authoritarian regimes in developing countries by donors (including Japan). Together with India and some 30 representative countries from Asia and Africa, it is well known that China and Japan were among the participants of the Bandung Conference. Both of which later became major donors, loyal to the Bandung spirit of non-interference, where *virtually* only economic interests matter. Bandung received international attention 60 years after the conference over the Sino-Japanese diplomatic battle over the Jakarta-Bandung HSR.

In terms of an aid menu, it is no surprise that more similarities than differences exist in terms of what Japan and China can offer to the recipient countries. The very similar aid models of the two countries can be said to be a version of the Harrod-Domar (HD) model, where financing of economic infrastructure entices private investors to follow suit and, paired with a high savings rate, aims to achieve high economic growth. The HD model was also consistent with the Keynesian model of public investments. Long



before the shift toward the “Washington Consensus” paradigm in the 1980s, with the denial of the government’s role, it can be said that this was the *modus operandi* of financing for the World Bank, which became the default model for international financial institutions such as the Asian Development Bank (ADB).

Another, albeit related, point is that Japan and China both use loans as a type of foreign assistance, helping the building of infrastructure (as an economic basis) such as roads, bridges, electric power plants, and so on in Southeast Asia. Following the HD theory, these public investments are intended to have spillover and multiplier effects that result in an increase in private investments, which in turn, lead to high economic growth. Both countries achieved double digit economic growth in this way. On the other hand, European and American donors, whose aid policy is more centered around grants than loans, warn that this may create a “debt trap.” Therefore, both countries are accountable for the world to address if extending well-targeted loans are more productive than devastating in attenuating this debt trap, in their assistance for HSR and all other investments abroad.

In the economic growth period of the 1980s, Japanese aid was criticized internationally as being developmentalist, mercantilist, having strings attached, being anti-environmentalist, and having a low *grant element*. In those days, Japan was pursuing the so-called “trinity” model of aid, in which a powerful Japanese Ministry of International Trade and Industry (MITI, currently METI) was playing a role of benign “broker” of private sector interests, pursuing foreign aid as a promoting mechanism of Japanese exports and investments particularly in the Southeast Asian market, which was the real cause. Whereas as rhetoric, aid was promoted as a catalyst for private sector-led growth, as a counter argument against Western criticisms. Also, in those days, there was even a “religious” belief among Japanese aid professionals and supportive researchers that Japanese *trinity* model was superior to any of the Western models.

With the shift toward a more collaborative form of aid in the 2000s, exemplified by the Poverty Reduction Strategy Paper and international goals (MDGs, SDGs), Japan has followed international requests for debt reduction, increasing the grant element (or making its loan menu more concessional) while decreasing the amount of overall aid. The country has fallen from first place within the G7 to a relatively lower one. During this period, China has surpassed Japan’s GDP to become the world’s second largest economy and, as it now aims to become the largest economic power with the Belt and Road Initiative (BRI), its ODA is now receiving the same criticisms as Japan did earlier. Japanese politicians and experts have started boasting qualitative superiority in somewhat ideological statements, focusing on “Free and Open Indo-Pacific (FOIP),” “Quality Infrastructure Partnership (PQI),” “international rules,” and so on.

Before the “tragedy of Bandung” in 2015, when Indonesia turned down the Japanese proposal of HSR, Japan was overly confident about their superiority over China in obtaining the HSR bid. The total “defeat” of Japan therefore was seen as a diplomatic humiliation for Japan. However, if the project was targeted at something else, both nations could have been more cooperative with each other. For instance, highway or toll road networks could be nicely sliced into packages

of co-financing projects, which could then be mutually beneficial, unlike HSR which remains too exclusive to be sliced into those co-financing packages among competitors. What this example seems to show is that some projects are “zero-sum” while others are “win-win”, depending on the nature of the invested sectors. It seems that, however, with a little bit of mutual effort, the HSR could be at least partly converted into a “win-win” sector if both countries are ready to work on a common basis, such as achieving safety rules or guidelines on rail traffic, for example.

In the case of the Jakarta-Bandung HSR, when Indonesians said “Sayonara to Shinkansen,” (Tempo, 2015) they compared the two countries’ proposals. The Jokowi Government, who would face reelection for a second term in 2019, opted for the Chinese menu that offered a more timely schedule, thus making it politically more attractive.

Table 1
China-Japan Competition Over HSR in Indonesia³

	China	Japan
Cost	USD 5.5 billion	USD 6.2 billion
Government	No government guarantee req'd	State guarantee (50% of project value)
Contract	B-to-B → G-to-G	G-to-G
Financing	25% equity, 75% CDB loan 40 (10 grade period) years terms	75% JICA loan, 25% state budget 40 (10 grade period) years terms
Currency	60% USD, 2% interest/year 40% RMB, 3.46% interest/year	100% JPY, 0.1% interest/year
Speed	350-380 km/h	320 km/h
Schedule	2016-2018, Operational 2019-	2017-2019, Operational 2021-
Ticket Price	IDR 200,000 (14.8 US\$)	IDR 200,000 (14.8 US\$)

Indonesia wishes to extend its HSR network to Surabaya, the second largest city in East Java, as was originally planned. Bandung was NOT included in the original master plan, financed by Japan, but it was added later to make the project more lucrative; capturing higher expected demand than connecting Jakarta and Surabaya directly, costing much more, and generating much less cash flow. In transportation economics, it become more apparent that, despite what is widely believed, HSR is NOT economically viable. Firstly, since neither the Japanese nor Chinese HSR system can be constructed on the existing railtrack, the new land purchase requires huge capital investment and social costs. Secondly, higher speed imposes higher operational and maintenance (O&M) costs per kilometer, which is often difficult to recover by operational revenue (ticket prices), which is set generally lower than its marginal costs. It is well known that the Taiwanese Shinkansen system has been running operational deficits since its inauguration in 2007.

The World Bank report of 1961 already mentions the risk of rising O&M costs, when it financed the Japanese HSR system. (The World Bank report. 2019)The report mentions that the HSR (“New Tokaido Line”) should consider having a dual operational system for “around the clock” operation: during the day, for passengers,



the train goes faster (200 km/h), while for cargo operations, the train should go slower (150 km/h) during the night in order to save costs. Japan spent 200 billion yen on the first HSR, when the national budget was 1,500 billion yen, of which 50% went towards land purchase costs. Unfortunately, the cargo plan was never materialized due to the high land purchase costs and noise pollution concerns for residents.

In the 1960s in Japan and across the world, air travel was pricey, and trains were the only means of transportation for most people. Railway was, in those days, run by the Japan Railway Corporation (a 100% state-owned enterprise). It took over three decades before the privatization of the national railway took place. All ticket prices were therefore heavily subsidized (subject to approval by Diet, or parliament in Japan) making it difficult to achieve a full cost-recovery. In many parts of the developing world, train tickets are still heavily subsidized, and Thailand, for example, gave up on HSR due to financial unviability.

As shown above, the competition over the HSR market may not make economic sense. The competition between China and Japan has been heavily politicized by the diplomatic rivalry beyond economic profits in Southeast Asia, and it matches exactly what recipient country want to satisfy politically. In the same year Japan “lost” the HSR deal in Indonesia, it “won” another with India for its Mumbai-Ahmedabad HSR, with very generous lending condition for India (2 trillion JPY with 0.1% interest rate for 50 years), though tied with Japanese companies. By 2020, both projects have seen major delays and cost overruns. After all, competition over national pride is very costly.

Does Chinese Aid Create More Debt Trap than Japanese Aid?

Chinese aid has been criticized by Western observers as it creates a “debt trap” and dependence on the Chinese supply chain. Japan used to face similar critiques in its heyday of aid power in the 1980s. The Japanese “trinity” hypothesis, once justified as motivation for developing countries to make efforts toward more sustainability (in a narrow sense, the ability to repay financing, and, in a wider sense, the driving force behind economic growth). Can Japan say that its loan-type of foreign aid has contributed more than China’s?

As seen in the previous chapter, the answer to this question may largely depend on which sector the lending finances; if it generates higher or lower economic returns. It may also depend on the susceptibility of borrower nations, which can be defined both economically and politically, for foreign intervention in the form of aid. Susceptibility should refer to debt sustainability in an economic sense, while it could imply matching with the needs of local political elites. Prime Minister Kakuei Tanaka, best known in China as a Japanese leader who established diplomatic relations with mainland China in 1972, is known as a corrupt politician in Japan who favoured the parochial interests of his constituency in rural Niigata by connecting it to Tokyo via HSR. The Indonesian President Jokowi behaved like Tanaka, when he chose Chinese HSR in 2015, for his reelection in 2019.

When Japan launched the first economic assistance to Southeast Asian nations (Myanmar, to begin with, then extended to the Philippines, Indonesia, Thailand and Malaysia) in the 1950s, as *de facto* war reparations, there was no consensus among donor nations about the scheme or modality of assistance. Gradually, by the 1970s, the OECD member countries have agreed to define Official Development Assistance (ODA) as financial flow whose “grant element” (calculated on the basis of interest rate, year of repayment, and grace period) is over 25%, while that with a grant element below 25% is called “Other Official Flows (OOF).” It was the first efforts for aid harmonization, which culminated as MDGs three decades later. After decades of administrative chaos for aid administration in Japan, by 2008, the Japan International Cooperation Agency (JICA) had been given a function as a principal agency responsible for all ODA operations in Japan, including soft loans, grant and technical assistance. Meanwhile, the Japan Bank for International Cooperation (JBIC) has been conceived as a more private-oriented financial institution specialized with the OOF, such as equity participation for Japanese investors in emerging economies in Asia. The Chinese definition of aid is ambiguous, however. China is not a member of the OECD, which implies that it does not have to report data to the OECD secretariat, so it does not distinguish between ODA and OOF; aid is calculated as public investments mainly financed by the Export Import Bank of China and Development Bank of China. Despite its definitional ambiguity, it is clear that, after 2000, Chinese lending has kept increasing and has become the biggest creditor in many developing countries, including Southeast Asian countries.

Whatever the definition of ODA could be, the point seems to center around the question of how more inducive the lending condition can be towards promoting growth than aggravating debts. Lending, by definition, increases the debt stock, while it can reduce the burden of debt repayment, by expanding the economic base with growth-oriented industries. In other words, “quality” of lending matters much more than quantity.

On the other hand, quantitative analysis, conducted separately (Japan Society for International Development. 2020), shows first that regarding the aid quality and debt trap, the grant element and deferment period are significantly negatively correlated with the DSR, and significantly positively correlated with the debt stock. The same analysis also shows that the grant element and economic growth factor are significantly positively correlated. These results imply that making loans more concessional (by increasing the grant element and grace period) is likely to reduce the aid burden in the short term, but with the risk of increasing it in the long term.

Somewhat counter-intuitively for those who believe in the “trinity hypothesis”, Japanese yen loans show a significant negative statistical correlation with the debt stock, while Chinese loans show a significant negative statistical correlation with the DSR, according to the same analysis. This hypothesis may not be easily interpreted as useful policies, while it shows that the Japanese ODA loans, by creating the basis for the economy (infrastructure) allow for an increase in self-sufficiency efforts. In the long term, this mechanism reduces



the debt stock. Chinese loans might improve the debt burden in the short term, which goes against a widely-held view. Increasing the grant element of aid reduces the debt burden in the short term, but worsens the debt stock in the long term. Furthermore, making loans more concessional may help increase the economic growth factor, but the results hold regardless of the lending countries and it does not depend on individual countries such as Japan and China, as the money is fungible.

The problem of aid money being fungible has been debated for more than two decades. This also means that the source country for foreign aid should not, in practice, present a problem itself. In addition, for most high performing Southeast Asian economies, the debt sustainability has not been a major economic issue; as their continued economic growth has functioned as a secure collateral against default (unlike some countries in Sab-Sahara Africa or Latin America). For Southeast Asian borrowers, Sino-Japanese competition over more concessional lending scheme has been more diplomatic in nature. The more the two countries compete, the more financial beneficial it becomes for borrowers; and this will mean a lot during the next few years for most ASEAN member countries which will have barely started to launch their recovery plans from the COVID-19 recession in 2020.

Susceptibility of ASEAN Member Countries to Aid from China and Japan

Rhetorical battles over Chinese “Belt and Road” (BRI) or Japanese “free and open” (FOIP) have been waged in diplomatic games, but both sides have somewhat calmed down their tones in diplomacy in recent years. In 2019, Xi and Abe met *face-to-face* in the G20 summit held in Osaka, and Xi was also invited as an official State guest to Japan in 2020 (though this was suspended due to COVID-19). As China faces more economic confrontation with the United States, it makes more economic sense to set aside its own political agenda temporarily.

After all, Japan was the first pro-Western nation that re-opened diplomatic relations with China (interrupted by the Tiananmen Square massacre of June 1989) in 1992 with the state visit of Japanese Emperor Akihito and Empress Michiko who were received with enthusiasm by the Chinese people. In that sense, Japan has been a loyal observer of the “Bandung Spirit” of non-intervention.

Japan was the only OECD country, after all, that continued to assist Myanmar under the military dictatorship until the early 2010s. Japan was also generously assisting other authoritarian regimes in Southeast Asia during much of the Cold War period. In this way, most ASEAN member countries became borrowers of Japanese ODA loans in major infrastructure, while their governance structure remained non-democratic.

Today, ASEAN member countries seem to be split between “democratic” vs. “non-democratic (authoritarian)” sides, which does not necessarily correspond with how rich the country is in terms of income per capita. Almost all member countries

started as newly independent nations in the post-war period, without charismatic political leaders, who used all their powers to mobilize resources towards making the HD model achieve the miraculous growth of the late 1980s or early 1990s.

Lee Kuan Yew said, “You’re talking about Rwanda or Bangladesh, or Cambodia, or the Philippines. They’ve got democracy. But have you got a civilized life to lead? People want economic development first and foremost. The leaders may talk something else. You take a poll of any people. What is it they want? The right to write an editorial as you like? They want homes, medicine, jobs, schools.” Neighboring ASEAN countries followed the Singaporean model, some of which, like Indonesia or the Philippines, became more democratic, while others remain authoritarian.

The crucial point is how susceptible a country is in terms of accepting “democracy”, which, for most political leaders in ASEAN is some sort of luxury good after you achieve economic growth successfully. Until that stage is reached, most Asian people live their lives happily as long as they will have better jobs tomorrow rather than today! Some GMS countries remain single-party governments with a “communist” party without communist economic principles, while their political system is as authoritarian as the Chinese system. It is no wonder that these countries are leaning towards China in receiving aid and investment, as they are more susceptible. Once Japan starts to switch its non-interference principle (of Bandung) to a pro-Western democratic position, as has been interpreted by some, these countries will get further away from Japan.

Implications for Post-COVID International Relations in Asia

Faced with both domestic administrative needs for streamlining operations as well as international demand for increased transparency of foreign aid in China, Beijing established in 2015 the China International Development Cooperation Agency (CIDCA) as a foreign aid agency to perform what was previously done through a complex network of independent channels with the Ministry of Commerce, Ministry of Foreign Affairs, various financial institutions, and so on. This administrative reform is still underway as of 2020. CIDCA has started promotion and public relations (including some sort of “propaganda”) activities on its homepage which is also available in English. Thus slowly making its presence more noticeable. (China International Development Cooperation Agency) CIDCA moved quickly in the COVID shock; much quicker than JICA. One of the remarkable CIDCA achievements during COVID was providing emergency medical aid to countries such as Ethiopia, Angola, Sri Lanka, and more, which had a history of receiving aid from China. Between March and April 2020, information on the CIDCA emergency medical aid was updated daily, describing China’s aid in great detail. However, starting from the 1990s, the JICA was the main actor in the field of international emergency medical aid through the dispatching of the Japan Disaster Relief. Its modus operandi was to promptly help with natural disasters, and so on, and



to praise Japan's role in overcoming them. In 2015, an "Infectious Disease Response Team" was inaugurated, based on the experience of the previous year in helping with the Ebola epidemic in West Africa. However, as far as the COVID response is concerned, the JICA was not as active as CIDCA, and centered more on the infection status of employees and experts as well as news on the halted dispatch of volunteers (at least in the initial stages of COVID-19). As other donors, such the World Bank and the Asian Development Bank, keep giving notice of emergency aid one after the other, Japan seems to have lost its position as an aid provider in emergency relief. On the other hand, in China, in cooperation with the Alibaba Group Holding (and its founder, Jack Ma), an internet platform for sharing medical information in Chinese and English, "One World One Fight," was promptly established, greatly surpassing Japan. Even when it comes to information warfare, Japan focuses on inbound information.

In his keynote speech in that forum, Jack Ma said in English (Global MediXchange for Combating COVID-19, 2020), "we should cooperate with Africa in fighting infectious diseases. In this field, it should be obvious what is preferable between competition and cooperation among countries, but we are responsible for that decision. In only two weeks, China has been able to provide 50 countries with emergency medical supplies, and this is also thanks to the aid of Ethiopian Airlines. We want to keep strengthening the relationship between China and Africa."

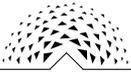
The post-COVID international relations might be characterized by how much "social distance" people are ready to take in terms of a dire dilemma between authoritarianism versus democracy. Some European countries have obtained more complete social security through a complete lockdown albeit a significant limitation of individual freedom. The transfer of personal rights to the state and life security are, in a sense, a trade-off. In Japan, this limitation was not as strict and thus the economic security obtained was not total. Furthermore, contact route tracing via AI empowered smartphones, as was performed in South Korea, was not performed in Japan because the people are not ready to provide private information due to strong privacy concerns. In practice, local prefectural requests were observed by people as if they were administrative orders or laws. As the industries, shops, and so on that did not comply with these requests were made public by the government without any mercy, the first pandemic wave was thought to have subsided. However, as of August 2020, the virus is spreading rapidly. Japanese society is paying the cost of democracy in the end.

Many developing countries have been unable to limit personal rights, failing to provide complete life security and leaving many citizens (some of which turned to rioting) without opportunities for employment. This has led not only to financial disaster but also to a threat to the continued existence of these countries as a whole and to the risk of overall worsened security. As developed countries are focused on reconstructing their own economies, it is unlikely that developing countries would be able to receive sufficient aid. Considering that China is the largest source of aid for these countries, the risk of the authoritarian state model, where "personal rights are limited but without economic security," spreading worldwide is rather high. International relations will be decided by the extent to which people accept the Chinese model.

According to officially published data, the number of COVID cases in China has settled after March 2020. The “sudden appearance” of new deaths in mid-April of the same year has been reported to have been caused by a review of the statistics. European countries and America are requesting the Chinese government investigate and provide clarity regarding the origin of the virus. At the same time, the American government has been spreading the rumor, as if it were fact, of the Wuhan Institute of Virology intentionally spreading the virus in order to dodge criticism regarding America’s poor response to the pandemic, and this has further worsened the relationship between America and China. As the pandemic leads the European economy to destruction, even the leaders of countries such as France and Germany, who had taken a positive stance toward the Belt and Road Initiative, have had to criticize China’s response.

In an interview with the Australian Financial Review, the Chinese ambassador to Australia said that “The investigation that America is requesting (probing into the truth) is politically motivated, and, as such, I cannot agree with it. We should rely on WHO’s investigation. If Australia happened to join America in this request, there is no doubt that the Chinese people would have second thoughts about coming here, as tourists or to study abroad, and about consuming Australian products such as wine and beef,” implicitly criticizing the Australian government.⁴

When compared to this, the Japanese government could be said to have not openly taken an adverse stance towards China. Traditional media (newspapers, TV, etc.) simply repeat the information coming from the Prime Minister and the Tokyo Metropolitan Government, without criticism. There are not requests for investigations aimed at China as there are in the European and American media, nor independently performed research. The South Korean media does seem to praise its country’s response to COVID while criticizing Japan’s, but again, there seems to be no criticism toward China. As we will explain later, this cannot be unrelated to the growing reliance of Japan’s and South Korea’s economies on China. The main Singapore media outlets show a similar affinity to China in their reports (Straits Times, 2020).⁵ In May 2020, the People’s Daily published an article titled “10 doubts regarding the disease – The American government has the duty to take responsibility and answer,” strengthening the confrontational attitude toward the US (Renmin Wang, 2020). The 2020 “Global Development Report” from the World Bank warned that, while the global value chain is evolving, some countries and people are being left behind, and it is important not to fall prey to the increasing country-level individualism and isolationism. This could be said to be a type of idealism that goes against the “liberal” view that the main consensus of economists bases their opinion upon⁶ (Deudney-Ikenberry, 1999). This way of thinking directly confronts the retrospective “realist” view of considering aid (as well as trade and investments) as “a diplomatic tool to pursue the benefit of one’s own country” (Morgenthau 1962). While different from the classic realism of the period that saw America and the Soviet Union fight against each other in the Cold War, this neo-realism can be seen as a characteristic of this “G-Zero period,” marked by the trade competition between the US and China among other things. Propelled by international relationship theory (which focuses on regionality, identity, and social



norms), constructivism has positioned itself even within aid theory, for example through promoting the eradication of poverty and SDGs as a high-level norm (Hume-Fukuda-Parr 2009). From any perspective, aid can be said to be a diplomatic and political mediation tool.

There is little doubt that the post-COVID foreign aid market in Asia and Southeast Asia will be influenced by Chinese power, and the position of traditional aid powers including Japan and US will suffer from retreats at least in the short run. Chinese authorities have been using foreign aid as an important diplomatic tool everywhere in the world, in order to keep its influence in the recipient countries, and this is exactly why ASEAN countries are facing an important decision about the extent to which they can give up their institutionalized democracy while using resources from China in order to accelerate their economic recovery from the COVID shock.

Conclusion

In 2019, the World Bank published “Belt and Road Economics,” describing the importance of creating and connecting infrastructure in South Asia and adopting policies that obviously show a favorable stance toward the Belt and Road Initiative, such as a publication celebration seminar to which executives from offices throughout South Asia, including Japan, have been invited. In the 2020 “Global Development Report,” the general tone was that of promoting a further strengthening of the global value chain while fighting isolationism. Such is the condition of organizations such as the World Bank, which has often sided historically with the American government. The current international society has reached the point where UN organizations, especially the WHO, are increasingly reflecting the opinions of the Chinese government.

The Japanese economy cannot sustain itself without China. The core industries that aid the Japanese economy have widely relied on materials and food provisions from China. For example, most of the metals the automotive industry relies upon are imported from China, as are more than half of all imported vegetables. Most IC chip exports are towards China showing that, whatever the political differences, the import/export symbiosis between Japan and China is unavoidable; the Japanese economy is very much dependent on China.

Today, COVID has provided further challenges for Asia and the world. Dealing with the continued expansion of China’s power in the “post-COVID” (with COVID) international community framework is an unavoidable issue. The Belt and Road Initiative is a core diplomatic strategy for this expansion, and Japan must find a realistic stance within the future international framework.

Haruki Murakami spoke publicly in his radio broadcast in May 2020, with a calm but warning tone, “Some politicians compare the fight against COVID with a war, but I am against that comparison. Unlike a war, where there are allies and enemies, now we must all cooperate and rack our brains to find ways to survive through this ordeal.” Unfortunately, the world is still far away from what Murakami dreams of, but there is some progress made.

During the video conference held by the ministries of the ASEAN Plus Three (China, Japan and South Korea) countries on COVID-19 in April 2020, the necessity for cooperation within the region has been confirmed. Furthermore, the expectations regarding the contributions of China and South Korea, who have already “defeated the coronavirus”, and of Japan, who is on its way to “defeating” it have been made clear. Infection countermeasures are a public good for the whole region, just as countermeasures are against terrorism and illegal drugs. The healthcare systems of most ASEAN countries are already insufficient during normal times, and during an emergency such as this, very few countries are able to survive without external help, creating fear of the demise of entire countries. The economic system of East Timor, which, while not part of the ASEAN, is geographically located in the ASEAN region, depends on petroleum income, making the downfall of the country a realistic threat.

As shown by the relations between America and China, Japan and China, and China and South Korea, direct negotiations between two countries tend to result in antagonism as each pursues their own benefit. The existence of the ASEAN Plus Three forum (a non-traditional security threat framework) is able to relax this antagonism and ease conflicts thus providing a framework for all countries to contribute to the public good of the region; this should be actively praised.

Competition over aid between China and Japan has triggered many expected and unexpected repercussions in recipient ASEAN countries. Despite economic damage caused by COVID, the two countries are expected to play important roles for post-COVID reconstruction of the world in the long-run, not only as financial sources but also as sources of knowledge and experience about how they have survived conflicts of interests in economic and political fields.

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Endnotes

- 1 This appellation was originally adopted by the Tojo Administration (1941-1944), though it was banned by the US Occupation Forces under General McArthur in the postwar period as it was considered 'symbolic of Japanese militarism.' It is more common now to use the term Asia-Pacific War in media, though carrying definitional ambiguities, thus this paper keeps its original title.
- 2 The ten principles of the Bandung Conference included, "1. Respect for fundamental human rights and for the purposes and the principles of the Charter of the United Nations." "2. Respect for the sovereignty and territorial integrity of all nations." "3. Recognition of the equality of all races and of the equality of all nations large and small." "4. Abstention from intervention or interference in the internal affairs of another country." "5. Respect for the right of each nation to defend itself singly or collectively, in conformity with the Charter of the United Nations." "6. Abstention from the use of arrangements of collective defense to serve the particular interests of any of the big powers, abstention by any country from exerting pressures on other countries." "7. Refraining from acts or threats of aggression or the use of force against the territorial integrity or political independence of any country." "8. Settlement of all international disputes by peaceful means, such as negotiation, conciliation, arbitration or judicial settlement as well as other peaceful means of the parties' own choice, in conformity with the Charter of the United Nations." "9. Promotion of mutual interests and cooperation." "10. Respect for justice and international obligation."
- 3 Salim, W. and Nagara, D. S.(2016), "Why is the High-Speed Rail Project So Important to Indonesia," ISEAS Perspective No. 16.
- 4 See the website of the Chinese Embassy in Australia
- 5 For example, the Straits Times (online version) <https://www.straitstimes.com/> (May 1, 2020 edition) criticized the request for an investigation against China from the Australian PM.
- 6 Liberalism (internationalism) has been said (Mawdsely, 2012) to even be able to counter the effects of the threat of a pandemic, but a comparison with the reality has shown that this view was exceedingly optimistic.