

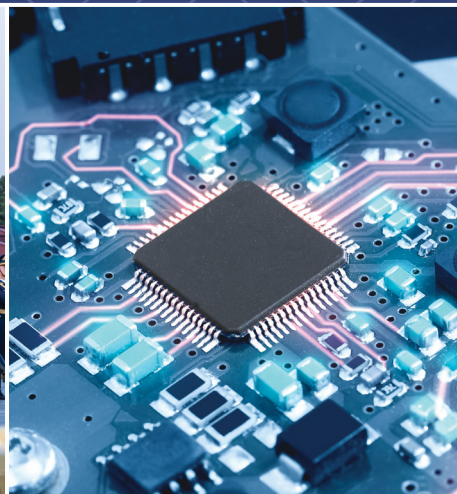


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JOINT U.S.-KOREA ACADEMIC STUDIES

QUESTIONING THE PANDEMIC'S IMPACT ON THE INDO-PACIFIC:
GEOPOLITICAL GAMECHANGER? FORCE FOR DEEPENING NATIONAL
IDENTITY CLASHES? CAUSE OF SHIFTING SUPPLY CHAINS?

EDITOR-IN-CHIEF: GILBERT ROZMAN



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Contents

KEI Board of Directors	i
KEI Advisory Council	ii
About the Korea Economic Institute of America.....	iii
Preface	iv
 THE PANDEMIC AS A GEOPOLITICAL GAMECHANGER IN THE INDO-PACIFIC	
Introduction.....	2
The Pandemic as a Geopolitical Gamechanger in the Indo-Pacific: The View from China <i>Yun Sun</i>	16
The COVID-19 Pandemic and Geopolitics in the Indo-Pacific: A View from the United States <i>Jacques deLisle</i>	32
China, ASEAN, and the Covid-19 Pandemic <i>Joseph Chinyong Liow</i>	64
How COVID-19 Has Affected the Geopolitics of Korea <i>Woo Jung Yeop</i>	88
The Pandemic as a Geopolitical Game Changer in the Indo-Pacific: The View from Japan <i>Glen S. Fukushima</i>	102
 THE PANDEMIC'S IMPACT ON BILATERAL NATIONAL IDENTITY CLASHES IN THE INDO-PACIFIC	
Introduction.....	126
The Sino–U.S. National Identity Gap and Bilateral Relations <i>Danielle F. S. Cohen</i>	142
The Russo-U.S. National Identity Gap and the Indo-Pacific in 2021 <i>Gilbert Rozman</i>	162
The Coronavirus: Fueling Concerns and Contrasts between India and China <i>Tanvi Madan</i>	180
The Pandemic and its Impact on the South Korea-Japan Identity Clash <i>Scott A. Snyder</i>	202
Shared History, Divided Consciousness: The Origins of the Sino-ROK Cultural Clash amid the Pandemic <i>Dong Xiangrong</i>	220
 THE PANDEMIC'S IMPACT ON SUPPLY CHAINS FROM CHINA AND REGIONALISM	
Introduction.....	238
The Future of U.S. Supply Chains: National Security and the Pandemic <i>Troy Stangarone</i>	252
The Pandemic's Impact on Supply Chains from China and their Evolution: The View from South Korea <i>Jin Kyo Suh</i>	276
The Big Squeeze: Japanese Supply Chains and Great Power Competition <i>Mireya Solís</i>	294
Taiwan's Shifting Role in the Global Supply Chain in the U.S.-China Trade War <i>Jinji Chen, Hong-yu Lin, and Yi-ting Lien</i>	316
COVID-19, Supply Chains and Dependence on China: The Indian Perspective <i>Amitendu Palit</i>	332
 Contributors	 348

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About the Korea Economic Institute of America

KEI is the premier U.S. think tank and public outreach organization solely dedicated to helping Americans understand the breadth and importance of our relations with the Republic of Korea. Through its publications, social media, programs, and public events, KEI seeks to advance scholarship and understanding of Korea in ways that will inform policy-makers and the American public of the security, economic, and political implications of our connections to the Korean Peninsula.

To produce accurate and in-depth analysis, KEI draws on the expertise of its resident staff; provides a platform on which leading writers, thinkers and commentators from the United States, Korea, and third countries can share their research and opinion; promotes scholarship by commissioning and publishing original articles; and hosts public and off-the-record conversations among policy makers and opinion leaders. The point of these activities is to ensure that decisions – whether made by government officials or private citizens – are soundly based within the context of the Korean Peninsula’s complexity and significance.

KEI maintains strong connections with its partner think tanks in Washington and with the academic community throughout the United States. Its “Academic Paper Series,” “Academic Symposium,” and “University Programs” ensure that the best in research and scholarship on Korea are shared among experts and are available to students and the general public. All KEI’s publications are accessible free of charge.

Although most of its activities take place at its Washington, DC headquarters, KEI is committed to engaging the public throughout the United States. Programs such as the “Future of Korea,” held in partnership with the World Affairs Councils of America, and the “Ambassadors’ Dialogue” bring Korean and American diplomats to venues across the country to discuss current events and the overall U.S.-ROK relationship. Participating officials value the opportunities KEI provide to speak to, and hear from, communities beyond the Washington DC area.

KEI continues to expand its social media presence. Its blog, “The Peninsula”; podcast, “Korea Kontext,” and livestream and recorded video allow those interested in Korea outside the Washington, DC beltway to engage with KEI and the U.S.-Korea alliance on issues of trade, culture, and security. KEI invites you to like its Facebook page and to follow us on Twitter and Instagram.

The U.S. partnership with the Republic of Korea is strong and based on enduring values and interests, but it cannot be taken for granted. KEI is committed to keeping our understanding of the relationship current.

Preface


At the Korea Economic Institute of America (KEI), we foster connections to advance United States-Republic of Korea ties. Through bringing together people with an interest in topics of importance to this relationship, KEI works to further mutual understanding and cooperation between our two countries. As parts of the world begin to recover from COVID-19, the sharing of ideas now to understand the developments of the past year and how they will shape our future is of particular importance. Our 2021 Academic Symposium, through which we endeavor to bridge the academic and policy communities, contributes to understanding crucial questions about the influence of the pandemic on key relationships in the Indo-Pacific region.

This year we were pleased to organize three virtual panels at the annual International Studies Association (ISA) conference after the 2020 in-person event was cancelled due to the pandemic. The conference featured over 5,000 international affairs scholars from around the world with a wide range of research interests and specializations to present papers and hold discussions on contemporary issues. While we missed engaging with and learning from these experts in-person, we look forward to traveling to Nashville, Tennessee for the 2022 conference.

Marking a decade of collaboration, KEI again turned to the scholarship and wisdom of Dr. Gilbert Rozman, Musgrave Professor of Sociology (Emeritus) at Princeton University, to serve as Editor-in-Chief for the Joint U.S.-Korea Academic Studies volume and advisor to KEI's programs at the ISA conference. Dr. Rozman once more played a key role in bringing together an outstanding group of scholars and practitioners.

The experts in this volume have addressed themes related to how COVID-19 is affecting the Indo-Pacific region. As the rivalry between the U.S. and China was already heating up early last year, the pandemic added fuel to the fire, accelerating the divide between the two major powers despite a change of administration in Washington. The authors in the first section examine the shifting geopolitical landscape in the region over the past year from the perspectives of China, the United States, Southeast Asia, South Korea, and Japan. The second section analyzes the role the pandemic has played in exacerbating bilateral national identity clashes in the region. Chapters in this section cover the U.S.-China, Russia-U.S., India-China, South Korea-Japan, and China-South Korea dyads. Major disruptions to trade from the coronavirus also added to the mounting concerns about the resiliency of supply chains amid the trade war between Washington and Beijing. Gauging the balance between political and purely business concerns, the authors in the third and final section explore to what extent major economic powers in the region are preparing to diversify their supply chains away from China.

Whether our connection with you is new or continuing, we hope you enjoy and find useful the 32nd edition of the Joint U.S.-Korea Academic Studies volume.



Ambassador (ret.) Kathleen Stephens
President and CEO
Korea Economic Institute of America
July 2021

THE PANDEMIC AS A GEOPOLITICAL GAMECHANGER IN THE INDO-PACIFIC

Introduction

The year when the COVID-19 pandemic ravaged the world is, in the spring of 2021, already regarded as transformative for great power relations, especially in areas wherein China and the United States are facing off across the Pacific and Indian oceans. Driving the latest part of the transformation, Donald Trump gave way as U.S. president to Joe Biden, who handled the situation in a strikingly different manner. President Xi Jinping gained confidence as China seized early control over the virus by the spring of 2020, flexing his muscles to fill the vacuum left by Trump's failures and to advance the "China Dream," and then showed restraint in the face of Biden's multilateral courting of countries such as India. With China and the United States testing the geopolitical waters, Japan was a key country to watch as the linchpin for the U.S. regional presence and the object of Xi's wooing in this period, while Southeast Asia stood on the frontline, both when Trump neglected the area and when Biden reasserted leadership.

How much were geopolitics in the Indo-Pacific altered during the time the COVID-19 pandemic raged, and what caused these changes? One response is that not a lot changed, China and the United States were already on a collision course in the 2010s, and the outcome at the start of the 2020s was predictable. A second response is that much changed in a short span of time, but that the pandemic was more of a catalyst than a cause, since Xi Jinping had been gearing up for more "wolf warrior" assertiveness and Donald Trump for more demonizing of China, especially likely as his reelection campaign approached. A third response is that quite a lot changed, but it was partially reversible as Biden replaced Trump and Xi stepped back from the consequences of the free fall in relations. Finally, a fourth possibility exists that a lot changed, and the pandemic was not only an accelerant but the main cause of the transformation, which is now irreversible.

The five chapters that follow agree that the pandemic accelerated geopolitical divisions, while not altering them in any substantial manner. The Sino-U.S. relationship deteriorated sharply, but that reflected growing Chinese "wolf warrior" confidence and growing U.S. resolve to stand in the way of Sinocentric behavior, whether in the South China Sea, the East China Sea, or the land areas China considers tests of sovereignty—Xinjiang, Taiwan, and Hong Kong. COVID-19 became the face of the clash for a time, but it was not the cause. Southeast Asia witnessed the intensification of pressure from the two powers at odds with ASEAN centrality but continued to seek ways to hedge and sustain that centrality. Continued troubles in Japan-ROK relations were especially removed from the pandemic fallout. Their disagreement over how to deal with China was growing more serious, particularly in 2021 when the Biden administration sought a grand regional strategy, drawing close to Japan in the Quad while Moon Jae-in kept a low profile. The fact that Indo-Pacific geopolitics are strikingly different from 2019 is not due to the pandemic.

In the short span of 15 or so months, we observe four factors that drove geopolitical changes in the Indo-Pacific: 1) the impact of the pandemic and the recovery from it; 2) the application of what Chinese called "wolf warrior" policies and their relaxation at times; 3) the U.S. initiatives, however inconsistent, to respond to China's policies in the region; and 4) the responses of both U.S. allies and states inclined to avoid leaning toward one of these three forces. In the five chapters to follow we examine these factors individually and, often, in combination. We start with China, move to the U.S., turn to Southeast Asia, and end with the ROK and Japan.

Yun Sun, “The Pandemic as a Geopolitical Gamechanger in the Indo-Pacific: The View from China”

In the Chinese strategic community, the pandemic has been regarded as a “watershed” event that has reshaped the structure of the international system and the power equilibrium. Its importance is elevated to the same status as the end of World War II, which determined the bipolar international system between the U.S. and the Soviet Union, and the end of the Cold War which began thirty years of U.S. hegemony in a unipolar world. Yun Sun sees a rapid shift in early 2020 to the conclusion that the relative gain China has made vis-à-vis the U.S.’s bigger losses in disease control, national power, economic growth, global leadership, and credibility means that the tide is turning in China’s favor. As China uses COVID diplomacy to demonstrate the superiority and desirability of its political system, the pandemic is perceived as an opportunity for it to shape the new international order and promote China’s desired “Community of Common Destiny.”

In absolute terms, China has faced tremendous difficulties in its domestic economy and foreign relations as a result of COVID. Internationally, China’s aggressive “wolf warrior” diplomacy has hardly won the hearts or minds of many across the rest of the world. In this sense, COVID has weakened China’s comprehensive national power and tarnished its international image in absolute terms. Yet the U.S. and its allies—or the West in general—have taken an even bigger hit in terms of their domestic crisis management, effective disease control, and economic performance. Many Chinese conclude that the gap between China and the U.S. has shrunk as the result of the pandemic and that the power balance has shifted further in China’s favor.

Sun focuses on the October 2020 Fifth Plenum of the CCP, which held that “the world is experiencing profound changes unseen in a century.” China’s “advantages” in the changing power equilibrium include “its political system, improved governance capacity, positive economic growth, accumulated material wealth, rich human resources, huge domestic market, economic resilience, and social stability.” The relative gain of China vis-à-vis the U.S. as a result of COVID due to the U.S.’s bigger losses in economic power, domestic cohesiveness, credibility, and external leadership is cited to further strengthen the belief in the bullish trajectory of the Chinese rise against the U.S. decline. From the Chinese perspective, COVID has expedited “profound changes unseen in a century” not only through the power balance between China and the United States but also through the reinforcement of two trends: first, “the rise of the East versus the fall of the West;” second “the rise of the Global South versus the fall of the Global North.” Chinese experts still refrain from projecting China’s replacement of the U.S. in a unipolar world. Instead, they portray the multipolarization of the international system as a result of the pandemic.

The most important impact of the pandemic on China’s foreign policy is on the U.S.-China front. It exacerbated and expedited the deterioration of U.S.-China relations, to the extent of a “freefall.” For the Chinese, the rapid deterioration and unprecedented political clashes between the U.S. and China were by design, attributable to Trump’s strategy to divert U.S. domestic attention and shift blame. This perception does not take into account Chinese aggressive “wolf warrior” diplomacy. A series of actions Trump took against China after mid-July brought a broad sense of shock across the Chinese government over the

pace, scope, severity, and strength of measures pursued within a short period of time. For the sake of de-escalation, senior Chinese diplomats sent a series of signals to the U.S. to strike a conciliatory tone, but a sense of hopelessness ran rampant in the Chinese policy community. Not only were people convinced of the irreversibility of great power competition and the deterioration of U.S.-China relations, but the pessimistic conviction remained solid regardless of the result of the November election. For the Chinese, the silver lining of a Biden administration is in the anticipated different style of great power competition and how it will be implemented, but it is not found in the nature of the great power competition itself.

Self-reflection is completely missing from the Chinese messages. All fingers are pointed at the U.S. for everything that has gone wrong. Proposals are targeted at how to set boundaries for the U.S. policy to prevent further “freefalls.” In this calculation, a long list of cooperation items could enhance the value of China to the U.S. and therefore increase the cost of confrontation—in the vein of “if the U.S. antagonizes China, China will not cooperate on North Korea, climate change, or COVID-19.”

Chinese expect a Biden presidency to stabilize U.S.-China relations. First and foremost, China sees Biden as a traditional, experienced, and rule-abiding career statesman. He will refocus the competition back to norms and influence, rather than overwhelming focus on trade and hard national power. Biden is expected to have a long list of issues where China’s cooperation is not optional for the U.S., such as climate change, North Korea, Iran, and global governance. Once these issues reemerge as priorities, they will offer China more leverage to counter or balance U.S. policies in other arenas through “issue linkage.” China could face an expanding anti-China coalition, not only in military terms, but also in terms of politics, economics, regional frameworks, and rules and norms. In addition, Biden is expected to resume the Democratic Party’s longstanding criticism of China’s domestic politics and human rights. His election changes only the U.S. president; it does not remove any of the friction points between the U.S. and China.

Jacques deLisle, “The COVID-19 Pandemic and Geopolitics in the Indo-Pacific: A View from the United States”

The COVID-19 pandemic poses significant geopolitical challenges and presents some opportunities for the United States in the Indo-Pacific. The international face of the U.S. response deepened concerns—especially significant in the Indo-Pacific—that it had retreated from its post-WWII and post-Cold War role of providing international public goods and leadership, and support for international institutions. The political opportunities for the U.S. amid the crisis and in its aftermath stem partly from shortcomings in China’s handling of the epidemic, as well as stumbles in China’s presentation of itself as a benevolent provider of foreign assistance and international cooperation. Opportunities also can develop from policies (some embraced by the Biden administration) to reverse missteps and ameliorate trends that have diminished U.S. standing. The Trump administration’s nationalist approach to an international pandemic signaled abandonment of a U.S. leadership role in a border-disregarding global crisis. Another dimension of its response was a push to “blame China” for the pandemic, feeding into an escalating ideational conflict.

The pandemic sharpened a trend in the U.S. toward characterizing economic issues in relations with China as national security problems. Critics saw the Trump administration using the pandemic to press its preexisting agenda of economic decoupling. The flummoxed response, protracted epidemic, and deep and comparatively long economic downturn arguably portended erosion of U.S. power—especially in the Indo-Pacific and in comparison to China, where the effects of initial governmental failures in handling the outbreak were less devastating and more short-lived. These developments pose substantial challenges for regional order in the Indo-Pacific and, in turn, geopolitics in which Indo-Pacific issues loom large. The COVID-amplified problems of international institutions, including the WHO, have especially troubling implications for the Indo-Pacific, where regional institutions are weak. A U.S.-China rivalry that focuses on ideological issues and differences in types of political systems increases stress on a fault line between democratic and authoritarian regimes, particularly within Southeast Asia.

Economic decoupling, hastened by the pandemic, would imperil—or at least unsettle—arrangements that have been beneficial to the economies of Indo-Pacific states. Moves to diversify U.S. supply chains away from China promised some economic upside for some Indo-Pacific states, given the limited potential for onshoring to the United States. But economies deeply integrated with both China and the United States faced risks that the U.S. would apply national security-based export controls or impose sanctions with extraterritorial reach if regional tech firms continued to sell to customers or collaborate with partners in China. The prospect of a significant decline (relative to China) in U.S. power—whether due to waning resources or eroding will—is especially consequential in the Indo-Pacific, where states face difficult decisions about how much to bandwagon with China or to hedge or balance with the United States.

The U.S. does have opportunities for geopolitical gains or, at least, recovery in the Indo-Pacific. China's methods were strikingly repressive and relied upon highly intrusive monitoring and control, including residents' committees, urban grid management systems, other party-state-led watchdogs, and ratcheting up of the already-formidable surveillance state. After a brief period of some openness, Chinese authorities censored, silenced, and deterred social and conventional media exposés of the government's crisis response. Chinese officials linked Beijing's COVID diplomacy to China's self-portrayal as a benevolent international actor more generally, emphasizing a "health silk road" as part of the BRI and including a "community of shared health for humankind" in the "community of shared future for humankind." Reports surfaced of price-gouging by Chinese suppliers selling scarce products on international markets, and quality problems with sold or donated equipment. Some foreign analysts asserted that China might be steering aid and sales based on the state of relations with recipient countries, and was trying to use modest assistance to wring diplomatic support on issues important to it. The backstory to COVID diplomacy threatened to undercut China's benevolent narrative: the pandemic's origin in Chinese territory, its apparent roots in China's lax regulation of wildlife markets, the flaws in the initial response to the outbreak, and so on. Among the many difficulties are regional states' well-entrenched wariness toward China's rising power, Beijing's increasingly assertive foreign policy substance and style, and (at least for liberal democracies) the PRC's unattractive model of governance.

A depleted and tarnished U.S. could find openings to preserve or recoup political influence and stature in the Indo-Pacific. The policy agenda set forth by the Biden administration promises to address many of the relevant challenges it inherited, and to exploit opportunities—particularly in the Indo-Pacific—that arise from vulnerabilities in China’s pursuit of international gains amid the pandemic. In the ideational contest between the U.S. and China (which most intensely affects the Indo-Pacific region), the Biden administration has retrenched from Trump-era vituperation, but the more adversarial and competitive nature of the relationship will endure. It has continued to emphasize long-standing complaints about China’s economic policies and practices, especially ones affecting the tech sector that is important in some Indo-Pacific countries. Biden has vowed to rebuild relations with friends and allies in the Indo-Pacific that share the U.S.’s assessment of mounting threats from China. He has characterized alliances and partnerships as “force multipliers.” Dramatic change seems more attainable through a resumption of leadership in multilateral institutions. Yet even a relatively modest agenda may not attract the trust and buy-in from vital partners that the Biden administration has acknowledged it needs, which may be wary of the durability of U.S. commitments and the efficacy of U.S. backing.

The tasks may be especially daunting in the Indo-Pacific and its subregions, given the thinness of the region’s institutional infrastructure and its position astride the most fraught fault lines in the troubled relationship between the U.S. and its nearest-peer competitor. Finally, COVID-19 has emphatically underscored to a shaken world that many of the most serious international problems today and in the foreseeable future are not very amenable to solutions that rely on the distinctive assets of superpowers or great powers—even absent the blows to prestige and reputation that the U.S., as well as China, have suffered. Successful responses to many serious challenges are likely to require: learning from smaller states—many of the most salient ones in the Indo-Pacific region—that pursue innovative approaches or offer replicable models; and achieving cooperation among many states, rather than relying on solutions provided by one or a few powerful states.

Joseph Liow, “China, ASEAN, and the Covid-19 Pandemic”

For Southeast Asia, the pandemic provided an occasion for China to deepen its engagement by dint of its own successful containment of the virus within its borders, and the resources it possessed to extend help to regional countries battling COVID-19 and its consequences. The pandemic has hastened the bifurcation of an international order that was already threatening to come undone because of the intensification of Sino-U.S. rivalry and American withdrawal from multilateralism under Trump. Sino-U.S. rivalry has sharpened by dint of the politicization of this public health crisis by both parties. China has seized upon opportunities presented by the pandemic to enhance its regional and global standing through continued support for multilateralism and economic engagement, in turn creating favorable conditions for the advancement of its foreign policy interests.

While Southeast Asia has doubtless benefited from Chinese support during this crisis, the region remains skeptical of its strategic intent, and concerned about overreliance. States have endeavored to diversify relations with regional powers while strengthening cooperation within ASEAN. The pandemic further hardened U.S. resolve to pursue decoupling, as global

manufacturing disruptions and medical equipment shortages in the U.S. highlighted the danger of overreliance on Chinese factories. These moves pose challenges for the Biden administration's efforts to repair some of the damage in relations with China. Meanwhile, China hit back at U.S. claims with its own narrative: 1) consciously pushing back on claims that China had mismanaged the pandemic in its early stages, 2) playing up the failure of the Trump administration to contain the pandemic in the U.S., 3) promoting China's model of pandemic management and role as a provider of global public health goods through "mask diplomacy," and 4) framing the origins of the virus as "yet undecided," including alleging sabotage by the U.S. because COVID-19 infections were gathering pace.

As election campaigning was reaching its height, the traction that could be gained from a tougher line on China was not lost to either camp. No doubt, playing the China card on COVID-19 helped the Trump campaign secure some measure of domestic support, yet the Democrats were themselves not averse to saber-rattling in order to accrue political mileage. The battle between narratives and political systems gathered pace with the onset of competition over vaccine development. China has sought to consolidate its strategic position while the U.S. was preoccupied with domestic politics and the rest of the world with the COVID-19 pandemic. The CCP moved decisively to impose a controversial National Security Law on Hong Kong on June 30, while the PLA stepped up patrols and military exercises in the South China Sea, continued (if not increased) military activity around Taiwan, and clashed with the Indian military in the summer.

In considering the impetus behind these moves, several factors come into play. First, there was Chinese strategic opportunism at work, as the U.S. was consumed by a political crisis. Second, China projected an image of strength in response not only to international pressure to account for the origins of the virus, but also domestic challenges in the form of early criticisms on the handling of the pandemic and the economic downturn it threatened. The legitimacy of the CCP is ultimately anchored in its ability to deliver economic growth, and leaders continue to harbor deep anxieties that external forces could exploit weakness. Third, China and the U.S. are locked in a security dilemma escalating since the Obama administration's "rebalance" strategy. China has doubled down on its commitment to the BRI even as global FDI diminished in the wake of the pandemic, and China itself has become more conservative on foreign investments under the dual circulation strategy. It has attempted to balance a need for economic prudence with the strategic imperative of global leadership; e.g., "green development" has become a priority in infrastructure construction. To head off China's growing influence amidst the pandemic in Southeast Asia, the Trump administration launched the U.S.-ASEAN Health Futures Initiative last April, and the Biden administration can be expected to continue, if not augment it.

The infectious nature of the disease, the geographical proximity, and the depth of its people-to-people links with China contrived to render Southeast Asia especially vulnerable to the novel coronavirus when it was first discovered in Wuhan. The fact that regional leaders swiftly pledged to keep ASEAN open, to facilitate flows of goods, to reduce disruptions to the regional supply chain, and to exchange timely information and best practices, suggested the primacy of economic considerations. The economic exigencies posed by the pandemic also catalyzed deeper economic cooperation between China and ASEAN. Economic ministers renewed their commitment to the implementation of the ASEAN-China FTA. As infections surged in the region, China swiftly extended support. Cambodia and the

Philippines were the first ASEAN member states to receive Chinese assistance in the form of test kits, surgical masks, protective suits, and ventilators, not least because of their close ties with China. China aggressively promoted its vaccines and the BRI, both of which would be central to the efforts of regional states to jumpstart their virus-battered economy. Though China may have exaggerated the extent of gratitude, Chinese gestures were in all likelihood agreeably received in Southeast Asia. Given its strong economic rebound and the fact that Southeast Asia remains cardinal to Chinese interests, Beijing is expected to expand its presence in the region through the vehicles of public health and economic recovery.

Southeast Asia is acutely aware of the downsides of excessive reliance on China, whether for support during the pandemic or to confront the anticipated challenges of economic recovery after a survey pointed out that more Southeast Asians indicated they would prefer the U.S. if forced to choose between the two superpowers, up from 53.6 percent in 2020 to 61.5 percent in 2021, while China's share dropped from 46.4 percent to 38.5 percent. Equally striking was the fact that 46.3 percent of the respondents were of the view that China is a revisionist power intent on turning the region into its sphere of influence, up from 38.2 percent last year.

COVID-19 became yet another arena for facets of Sino-U.S. rivalry to be played out. Both powers were swift to engage in a blame-game, even as they proved considerably slower in taking necessary measures to curb the spread of the virus (although this could also be attributed to the medical community's lack of familiarity with, and lack of understanding of, the novel coronavirus in its early days), let alone setting aside differences to lead global efforts to contain it. For the states of Southeast Asia, adjusting to this rivalry as it manifested against the backdrop of the pandemic without compromising autonomy has been a priority. COVID-19 drove home the stark reality of the need to balance growing disquiet with Chinese assertiveness—at times, aggression—with the need to maintain, if not deepen, economic and political ties with Beijing. China has succeeded in its battle against the COVID-19 pandemic within its borders, which injected added impetus and provided a platform for its pursuit of foreign policy objectives. Given the U.S. struggles with the pandemic and the dire state of its domestic politics, while there may be considerable appetite for the U.S. to play a larger role in regional affairs, Southeast Asian states are only too aware of the harsh reality of the monumental challenges that confront the Biden administration.

Woo Jung Yeop, “How COVID-19 Has Affected the Geopolitics of Korea”

As seen from Seoul, the fallout in relations between Beijing and Washington demonstrated how much the economic impact has spilled into geopolitics. Koreans follow this impact attentively, realizing that worsening Sino-U.S. ties may reverberate in the form of one or both powers putting more pressure on their country as it strives to sustain a precarious balance for the sake of its North Korean policy and regional stability. While many countries in the Indo-Pacific have struggled to find the most advantageous equilibrium between their security ties to the United States and their economic dependence on China, South Korea has uniquely stood on the frontlines. This was vividly demonstrated in 2016-17 when it first bowed to pressure from its ally to deploy the THAAD missile defense against North

Korea and then acceded to China's pressure, including harsh but unofficial economic sanctions, by promising the "three noes" restricting further missile defense moves and defense trilateralism inclusive of Japan. As Biden prepares new measures bridging security and economics with appeals to multilateralism to constrain China, many in South Korea nervously await the requests to follow and China's threatened response.

One nexus drawing increased apprehension is that between supply chains and geopolitics. At the juncture of supply networks involving China, South Korea is due to be heavily impacted. The pandemic also brought to the forefront ongoing pressures for de-globalization and de-dollarization with major ramifications for Seoul. While such geo-economic developments are of consequence, much of the anxiety has focused on the geopolitics of deteriorating relations between Beijing and Washington. The former is warning Seoul against joining the Quad, agreeing to trilateralism with Japan and the U.S., and tilting the balance away from China in the Sino-US-ROK triangle. Meanwhile, the Biden administration even before it clarifies its regional strategy, is nudging Seoul in precisely the opposite direction. The year 2020 raised challenging issues for Seoul, which loom in 2021 as severe tests for the Moon administration.

Pressure from Beijing on Seoul had generally been mounting for two decades. It registered in declining South Korean public opinion toward China and its leader and in a sense that foreign policy would have to be handled with greater sensitivity toward China. Although the peak of concern about Chinese pressure in the form of extensive but unofficial sanctions had passed by 2018 after Moon acceded to Xi's demands for the "three noes," limiting new geopolitical moves by Seoul, pressure remained relentless. Some of the sanctions were not rescinded, new warnings were issued, veiled threats prevailed in Chinese publications, and concern grew that Beijing was readying more aggressive actions should Seoul yield to rising U.S. calls for joint actions in the face of worsening Sino-U.S. relations. The year of North-South diplomacy did not assuage China despite its eagerness for a diplomatic approach. Nor did the pandemic year of ostensible government-to-government goodwill raise expectations, given the greater wariness of the South Korean public and the demonstration effect of China's "wolf warrior" behavior elsewhere.

The late Obama period put Seoul under intensified U.S. pressure after Park Geun-hye's September presence at Xi Jinping's 70th anniversary of the victory in WWII had failed to win a payoff for Seoul or persuade the U.S. of any strategic gain from a balancing act. Park yielded in accepting the "comfort women" agreement with Japan and in deploying THAAD missiles at home. The Trump era led to a diversion of U.S. pressure to bilateral economic issues, whether renegotiating the KORUS FTA or struggling to reach a deal on the SMA (Special Measures Agreement) over Seoul's contribution for the stationing of U.S. forces in Korea. Yet the shadow of Obama's legacy and Trump administration warnings about China loomed in the background. In 2019 when Moon Jae-in prepared to pull out of the GSOMIA agreement with Japan, an intelligence-sharing deal urged by the Obama administration, U.S. pressure was unrelenting. And in 2020, worsening Sino-U.S. ties accompanied U.S. calls for decoupling in certain dual-use technology. Before the Biden administration could finalize its grand strategy for the "Free and Open Indo-Pacific," the U.S. side had been urging Seoul to signal its support for this initiative, in the face of strong opposition from China to joining what it called "containment."

There has been no shortage of Chinese warnings about possible retaliation if Seoul were to cross one or more of a myriad of putative red lines. A few were formalized when Moon agreed to Xi's "three noes" as conditions for getting beyond the impasse over THAAD and China's retaliation for it. Others have been asserted directly or indirectly. The overall theme is that tilting to the United States on security, or technology related to security, is unacceptable. This applies to missile defense, trilateralism with Japan, Taiwan, and South China Sea policies, the Quad, internal Chinese human rights issues including Hong Kong, and even North Korea policy if it veers more toward sanctions and deterrence. Roh Moo-hyun is held up as the one president who came closest to the ideal. Conservative presidents are faulted for straying the farthest from it. China's demands have intensified; so what was tolerated some years ago is no longer acceptable. Clearly, China is watching carefully how the Moon administration will respond to the Biden administration, especially after the U.S. security review is completed.

In the Quad summit, the 2+2 meetings in Tokyo and Seoul, and the Anchorage exchanges with China, U.S. officials amplified Blinken's speech. The Japanese side was enthusiastic, the Indian side was newly supportive, and the Chinese officials were vigorously opposed. Of all the key players, only the Korean side remained hesitant, if not cornered on how to react to the U.S. posture toward China. Speculation centered on what the U.S. side was seeking. One unmistakable theme was reinvigoration of trilateralism with Japan, politically and militarily. A second U.S. aspiration was the inclusion of South Korea either in the Quad or in a Quad Plus with a role in maritime security including the South China Sea and in institutionalizing this new grouping, which China calls "NATO of the East." A third well-understood U.S. theme was to prepare for tougher sanctions on North Korea should a provocation ensue, and for new missile defense coordination and deployment. Fourth, Huawei had come to symbolize U.S. insistence on technological decoupling when it comes to dual-use and security-sensitive matters. Finally, there was an obvious value component to the Biden administration's desired agenda, making specific high-sounding words about the multilateral coalition forming in support of democracy and a rules-based order without letting China's recent behavior pass without comment. All of these issues under discussion in U.S. policy circles posed a serious challenge for Seoul, especially because acquiescence to the U.S. would alienate China.

Never has Seoul faced a dilemma similar to the push-and-pull awaiting between Washington and Beijing, while the Pyongyang factor adds more difficulty. No respite can be sought from Tokyo, which is more adamant than Washington that Seoul must change course, and from Moscow, leaning to Pyongyang even more than earlier, and more hostile to the U.S. agenda even than Beijing. The breaking point could occur in 2021 over one of several causes: 1) the Biden North Korea review presses Moon to deviate from his engagement-first approach to North Korea; 2) Moon impatiently defies the U.S. position on North Korea in the waning days of his administration; 3) North Korea provokes a response that splits the U.S. and China; 4) a Sino-U.S. crisis occurs, wherein both sides grow more insistent that South Korea show its hand; and 5) the overall Biden policy review leaves Seoul isolated as Washington bolsters a wide-ranging Indo-Pacific strategy with other partners. The year 2020 was difficult with Trump applying pressure on bilateral relations and demonizing China, but 2021 promises to be more so with Biden prioritizing multilateralism to forge a regional coalition.

Glen S. Fukushima, “The Pandemic as a Geopolitical Game Changer in the Indo-Pacific: The View from Japan”

The direct impact of the pandemic on Japan has been relatively low when one compares the number of cases of infections and deaths relative to the size of its population, despite its high population density and large elderly population. Yet the effect on the environment surrounding Japan over the past year—in particular, the United States and China—coupled with changes in Japan’s domestic political and economic environment have accelerated trends that were already in progress in Japan’s geopolitical posture. Given this context, it is only natural that Japan would seek to diversify and strengthen its relationships with other countries, regions, economic arrangements, and international organizations and institutions. This diversification, which could be seen since the end of the Cold War in the early 1990s, has gained momentum in recent years, and the pandemic has served only to accelerate it.

Tracing the course of the pandemic, Fukushima notes that some Japanese leaders in February and March feared that if Japan showed a large number of infected cases, this could lead the 2020 Summer Olympics to be postponed or canceled. Fear too of a “collapse” of the medical system’s ability to cope with a large infected patient population led to the conscious and explicit policy to limit the number of tests conducted for the coronavirus. The policy to pursue minimal testing fostered a sense of complacency and a serious underestimation of the spread of the virus. Finally, the “Japan model,” which had appeared to be successful in controlling COVID-19 in the spring and early summer of last year, had clearly shown its limits by the late summer and early fall of last year. Although Japan’s performance in controlling COVID-19 proved to be much more effective than that of the other G-7 countries, Japan’s political leadership did not gain high marks. Support for Abe declined steadily during the spring and summer of 2020.

A discrepancy between positive results in dealing with the pandemic and weak public support is the result of multiple factors. Many steps to control the virus were taken in a haphazard way that failed to give the public confidence that the government was fully in control of the situation. The LDP plan to hand out 300,000 yen disbursements to qualified households was abruptly changed, after the Komeito intervened, to 100,000 yen per person without income restrictions, revealing a lack of policy coordination. The leadership did not convey the sense of urgency displayed by many specialists. Individual politicians were found to be violating their own instructions to the public. A string of resignations, and even arrests, of LDP politicians, including cabinet ministers, occurred. Finally, there was the lingering aftermath of previous scandals including the Moritomo Gakuen affair and the Kakei Gakuen affair, as well as new scandals, e.g., Abe’s attempt to revise a government retirement law to make it possible to promote Kurokawa Hiromu, head of the Tokyo High Public Prosecutor’s Office, to prosecutor-general.

Suga started his prime ministership with approval ratings above 70%. By January 2021, his approval rating had dropped to 42%. Meanwhile, cases of COVID-19 were beginning to increase again, and Suga was making statements and taking actions that were too little too late. A major issue that contributed to criticism is the government's "Go to Travel" subsidy program to revive the domestic tourism industry battered by the coronavirus. Many suspected that the real reason for such favorable treatment is that the leading politician supported by it is LDP Secretary-General Nikai Toshihiro, the kingmaker who in September made it possible for Suga to succeed Abe.

Japan's relations with the Trump administration from January 2017 had their ups and downs. However, from the standpoint of the Abe government, relations turned out to be much better than had been feared during the presidential campaign of 2016. Japan's view of the Trump administration was clearly divided between the general public, which did not want to see Trump serve a second term, and the political leadership, which had established what it believed to be a positive working relationship based on good personal chemistry between Abe and Trump. Japanese leadership—LDP, many government bureaucrats, and the business community—viewed Trump as more aligned with Japan's foreign policy interests than any of the Democratic candidates running for the presidency, who were seen to fall into three camps: 1) candidates who were totally unknown by Japan and unfamiliar with Japan, therefore unpredictable and requiring strenuous Japanese efforts to build a relationship from scratch; 2) progressives, such as Bernie Sanders and Elizabeth Warren, who were seen as protectionists and isolationists; and 3) Biden, the one candidate familiar to Japan's policymakers, but seen to portend a continuation of the Obama administration—in the Japanese view, too soft on China, North Korea, and South Korea, too tough on Russia, and too wedded to human rights.

The most important factor that led Japan's leadership to favor Trump was the perception that he was being tough on China. The Japanese view was that the Obama administration from start to finish was too idealistic, too docile, and too accommodating to be lulled by Xi Jinping into some form of G-2, a "new model of great power relations." From Japan's standpoint, a certain level of tension between the United States and China would heighten Japan's value to both countries. The thawing of Sino-Japanese relations in 2018-19 is attributed by many Japanese to Trump's confrontational policy toward China, which forced Xi to wake up to the importance of Japan as an economic partner. Despite this preference for Trump, the Japanese leadership—as pragmatic and as resilient as ever—quickly adjusted to the victory of Joe Biden as president.

North Korea's nuclear and missile developments are issues of immediate concern for Japan, but the biggest long-term foreign policy challenge is China. The rapid military buildup by China, and its activities in the South China and East China seas, have increased Japan's strategic concerns. China announced on March 5 its 2021 defense budget, which includes a 6.8% increase over the previous year. At \$208 billion, it is one-quarter of that of the United States, but four times larger than Japan's. Although the Japanese leadership had expressed concern before the U.S. election that the Biden administration may be too soft on China, early statements provided a certain level of assurance.

The end of the Cold War in the early 1990s has led to a multipolar world, and the United States over the past few years has become more divided and seemingly less committed to engaging with the world as it had done during the Cold War. This self-centered view, coupled with Trump's erratic behavior, led many Japanese to question the reliability of the United States as an ally. In addition, the competence of the American government was severely questioned as the Trump administration mishandled the coronavirus. The pandemic accelerated the path toward diversification that Japan had already been pursuing since the end of the Cold War.

Well aware of the stance among Southeast Asian countries, Japan is attempting to steer a third path. This involves accepting the growing economic influence of China in the region while maintaining close political and security ties with the United States and, at the same time, strengthening ties to Southeast Asia. What stands out is the acceleration of Japan's drive to diversify its diplomacy and to walk the fine line of maintaining the security alliance and political partnership with the United States while at the same time deriving the economic benefits of a growing China. If the Biden administration takes a sufficiently realistic stance toward China but does not try to force Japan to take sides on sensitive economic issues and on human rights, this would be the ideal scenario. Even if the coronavirus vaccination is deployed worldwide this year as effectively as hoped, the effects of the pandemic are likely to remain for years. Among these effects will be Japan's further attempts to diversify its geopolitical posture and direction.

The Pandemic as a
Geopolitical Gamechanger
in the Indo-Pacific:
The View from China

Yun Sun

How has the COVID-19 pandemic reshaped or influenced China's geopolitical outlook and its grand strategy for the years to come? This is a question that will determine China's relationship with the United States, the Indo-Pacific region, and the rest of the world. In the Chinese strategic community, the pandemic has been regarded as a "watershed" event that has reshaped the structure of the international system and the power equilibrium. Its importance is elevated to the same status as the end of World War II, which determined the bipolar international system between the U.S. and the Soviet Union, and the end of the Cold War which began thirty years of U.S. hegemony in a unipolar world.

Although China began as a sheer loser in the pandemic given its culpability in the origin of COVID and its early poor management of the domestic spread of the disease, Beijing believes that it has eventually emerged as a pure winner in the pandemic: the relative gain China has made vis-à-vis the U.S.'s bigger losses in disease control, national power, economic growth, global leadership, and credibility has strengthened Chinese confidence that the tide is turning in China's favor. The "effectiveness" of the Chinese political system, as manifested in its domestic disease control, has reinforced China's ideological conviction of its superiority. As China uses COVID diplomacy to demonstrate the superiority and desirability of its political system, the pandemic is perceived as an opportunity for it to shape the new international order and promote China's desired "Community of Common Destiny." Challenges remain, as the U.S. revamps its alliance system under the Biden administration and as regional powers and Western countries grow increasingly concerned and anxious about China's growing confidence and capabilities. However, for China, the pandemic has been a great opportunity, and China has emerged from it as a pure winner.

It is an interesting question as to how the pandemic has changed the nature and the dynamics of the great power competition between the U.S. and China. Most would agree that the pandemic exacerbated, accelerated, and aggravated the deterioration of relations that the U.S. and China had already been experiencing before 2020. However, the differences lie in the degree, intensity, velocity, and extensiveness of the damage. Without the pandemic, the downward slope U.S. and China had already been on would not have come to a state of "freefall" in 2020. And that "freefall" period has long-lasting and significant implications for their bilateral relations in the post-COVID world. The damaged trust, confidence, and credibility, and the deeply entrenched sense of hostility, or even antagonism, have made any effort to repair the relations extremely difficult, if not completely impossible. And this reality will affect the regional dynamics in the Indo-Pacific region for the many years and decades to come.

COVID and the Changing Power Equilibrium

As the first country facing a COVID-19 outbreak, China in the early stage of the pandemic suffered tremendous losses. Beijing shut down much of its economy to prioritize battling the pandemic domestically. And China's image and reputation came under severe attack internationally as an increasing number of affected countries began to trace the responsibility and culpability of China for the pandemic. This has led to the rise of the "wolf warrior" diplomacy phenomenon as Beijing fiercely defended its reputation and position in the pandemic.

As China's stringent domestic disease control measures took effect, by early April the country's domestic activities largely returned to normal and the rest of the world succumbed to the pandemic. Since then, the gap grew increasingly worrisome between China with its effective COVID controls, and other countries, especially the United States, with their inability to effectively manage the pandemic. By the end of 2020, China was one of the few countries still able to achieve positive economic growth during the year—seeing 2.3% GDP growth—while most of the world had plunged into an economic recession.¹

When China evaluates the losses and gains from the COVID-19 pandemic, a key criterion is whether the assessment is conducted in absolute or relative terms. And the results from these two comparisons are opposite to each other. In absolute terms, China has faced tremendous difficulties in its domestic economy and foreign relations as a result of COVID. Although the domestic economic activities resumed, the economic growth rate was still the lowest in the past thirty years. Government revenue dropped by 3.9%, while government spending increased by 2.8% as Beijing tried to tackle the pandemic and prop up the domestic economy.² Internationally, China's aggressive "wolf warrior" diplomacy might have temporarily shut down public complaints and grievances, yet its overall diplomatic posture has hardly won the hearts or minds of many across the rest of the world. In this sense, COVID has weakened China's comprehensive national power and tarnished its international image in absolute terms.

However, the picture and interpretation could be completely reversed when things are put in relative terms. While China has taken a big hit from the pandemic, the U.S. and its allies—or the West in general—have taken an even bigger hit in terms of their domestic crisis management, effective disease control, and economic performance. Most recently, the competition over available vaccines among developed countries further dampened the hope for their leadership in providing inoculations to developing countries. Therefore, in relative terms, not only has China successfully weathered the storm of COVID, but it has also emerged as the biggest winner in the crisis. In particular, as the U.S. took a significant loss in its economic development, leadership, and credibility, many Chinese see that the gap between China and the U.S. has shrunk as a result of the pandemic and that the power balance has further shifted in China's favor.

These two fundamentally contradictory visions will jointly determine China's grand strategy today and will continue to play the key determining role in the foreseeable future. There is no doubt that China has emerged more confident about its status and its "destiny" to replace the United States; that overall strategic vision is certain. Under this conviction, COVID has presented itself as a historical opportunity to improve China's strategic position and expand its influence in the Indo-Pacific and beyond. (However, what China has largely failed to take into account is the other equally true reality: that China's absolute national power has been undermined by COVID, which should dictate a strategy of retrenchment and frugality regarding its resources.)

China's Growing Confidence

The growing confidence of Beijing is best reflected in the Fifth Plenum of the 19th Party Congress of the Chinese Communist Party held in October 2020. According to tradition, the Fifth Plenum of each Party Congress is devoted to announcing the next Five-Year Plan. This one was no exception; not only did the CCP publish the primary goals for the 14th Five-Year Plan, but it also announced a mid-term 2035 Vision, including “major elevations of China’s economic, technological, and comprehensive national power,” “significant improvement of China’s economic volume and GDP per capita,” “key breakthroughs in critical core technologies,” and “China taking the lead among innovative countries.”³ The Fifth Plenum made ambitious plans for China’s political, economic, and social development. While the detailed implementation plan probably will not be revealed until the 14th Five-Year Plan is finalized, the communiqué from the Fifth Plenum made a most important determination about China’s current external environment and the foreign policy direction it dictates.

The communiqué made a significant effort to emphasize the “profound and complicated changes” China faces in its development environment. And the overarching conclusion remains positive and bullish. China believes that it is still in the “important window of strategic opportunities,”⁴ a judgment that was missing from the narrative during the peak of the pandemic. The term was used prominently after 9/11 when China believed the U.S. was so distracted by its counterterrorism campaign that China had the chance to develop its power unnoticed and uninterrupted. By claiming that the window of opportunity is not yet closed, Beijing demonstrates a highly positive outlook about its external environment and China’s ability to capitalize on it.

The conviction of China’s positive and rising trajectory internationally is causally linked to another concept that the Fifth Plenum continues to uphold: that “the world is experiencing profound changes unseen in a century” (百年未有之大变局).⁵ In the Chinese narrative, “profound changes unseen in a century” first and foremost are reflected in the changing power equilibrium in the international arena—in other words, China’s “predestined rise” and America’s “unavoidable decline.” Therefore, although the “increasingly complicated international environment has increased instability and uncertainty” for China, the Chinese do not believe the direction or trend has been at all reversed or shattered.⁶

Internally, according to the communiqué, China’s “advantages” in the changing power equilibrium include “its political system, improved governance capacity, positive economic growth, accumulated material wealth, rich human resources, huge domestic market, economic resilience, and social stability.”⁷ In the Chinese view, these “advantages” have not been removed or significantly weakened by U.S.-China great power competition, the trade war, or COVID. Externally, the relative gain of China vis-à-vis the U.S. as the result of COVID due to the U.S.’s bigger losses in economic power, domestic cohesiveness, credibility, and external leadership has been cited to further strengthen the belief in the positive and eventually bullish trajectory of the Chinese rise against the U.S. decline. As such, the Fifth Plenum fully recognizes the complications and hardships, but the Chinese conviction of their rise has not changed at all. In order to counter the complications and hardships, the CCP instructed the government to “understand the opportunities and risks, maintain the strategic resolve, amplify the spirit of struggle, strengthen the bottom-line thinking, and effectively deal with changes.”⁸

Broader Impact over the International System

From the Chinese perspective, COVID has expedited the “profound changes unseen in a century” not only through the power balance between China and the United States but also through the reinforcement of several trends that China sees as contributing to the creation of a new international order under a shifting international system. Together, they contribute to a new outlook for the power structure of the world. The first such reinforced trend is “the rise of the East versus the fall of the West.” While Asia had been on the rise even before the pandemic, East Asian countries’ performance in combating the pandemic, especially China’s success, is seen by many Chinese as a sign of Asia’s growing importance in the international system, with the potential to “replace the West which has dominated the human history in the past five hundred years.”⁹

The second trend reinforced by COVID is “the rise of the Global South versus the fall of the Global North.” While the Global South and emerging markets represented by China and India had been on the rise before the pandemic, COVID has demonstrated the developed countries’ domestic social conflicts and political constraints on the effectiveness of their governance structure and political system.¹⁰ The influence of the Global South, as reflected by the Debt Service Suspension Initiative (DSSI) in the debt sustainability crisis during the pandemic, is expanding. The DSSI, an initiative launched by the G20 and the most consequential answer to the debt issue, is a strong testament to the rise of the emerging markets in the Global South relative to the G7 or the Paris Club, which represents the traditional Global North and bloc of developed countries.

Although China sees itself as the winner in the COVID-19 pandemic and has excelled vis-à-vis the United States, prominent Chinese experts still refrain from projecting or predicting China’s replacement of the U.S. in a unipolar world. Instead, they are keen on portraying or emphasizing the multipolarization of the international system as the result of the pandemic. For example, Chen Xiangyang argues that the pandemic finally “ushered the world into a new framework of multipolarity in 2020.”¹¹ Based on his assessment, the four major powers, the U.S., China, Europe, and Russia have each demonstrated different capabilities in tackling the pandemic. As a result, the gap between the U.S. and China has shrunk, while the gap between the U.S. and China together in the first tier and Europe and Russia together in the second tier has grown larger. The new international order and structure are therefore characterized by the coexistence of multipolarity and two superpowers.

Some other Chinese experts do not see that the pandemic has fundamentally changed the international order but agree that it has introduced important changes to it. Following in the same vein of power reshuffling and transitioning among major powers, they also believe that the process of multipolarization has strengthened and accelerated even though the world has not yet achieved a full state of multipolarity. As argued by Yang Jiemian, the pandemic has led the international order to evolve in a more “just and reasonable” direction because non-Western countries have gained more governance capabilities and voice in the pandemic and China’s “advanced” concept of “human lives above all else” won the country the respect and admiration of many across the world.¹²

Almost all Chinese strategists have emphasized the importance of non-traditional security issues such as pandemics in the national strategies of major powers and for international politics. As a common global challenge, pandemics such as COVID-19 require the collaboration and cooperation of all countries. As a relatively new area that is gaining prominence in international politics, global health cooperation and pandemics inevitably become a new issue for competition for discourse, leadership, consensus-building, and power.

Escalation of U.S.-China Tensions

The most important impact of the pandemic on China's foreign policy is on the U.S.-China front. If anything, it exacerbated and expedited the deterioration of U.S.-China relations, to the extent of a "freefall."¹³ Beijing had originally planned for a relatively stable bilateral relationship with Washington at the beginning of 2020, hoping the signing of the Phase-I trade deal in mid-January would pave the way for stability and the ability to manage any turbulence assuming President Trump would not want to rock the boat during his reelection campaign. However, the COVID-19 pandemic directly undermined Trump's original reelection strategy, creating three crises: a public health crisis, an economic crisis, and a racial justice crisis, all of which directly tanked his approval rating by the summer of 2020.

COVID-19 disrupted Trump's original strategy for reelection as it eliminated his economic achievements and created a public health crisis. As revealed by the April GOP election strategy memo, blaming China for all these failures became policy. Although China should carry some responsibility for the early mismanagement of the pandemic, the U.S. systematic failure to deal with the disease after March is hardly China's fault. Therefore, for the Chinese, the rapid deterioration and unprecedented political clashes between the U.S. and China were, by design, Trump's strategy to divert U.S. domestic attention and shift blame. The broader observation the Chinese made was that when Trump encountered unexpected domestic distress, he became psychologically unstable and lost his sense of rationality, decency, and basic rules of engagement. U.S.-China relations and China itself became the most direct victims of the U.S. failure to tackle the COVID pandemic. This Chinese perception does not take into account Chinese aggressive foreign policy, such as "wolf warrior" diplomacy, since COVID has affected American perceptions and reactions. However, the independent effect China tried to tease out is how much the drastic escalation in tensions from Washington since the pandemic began is causally related to domestic politics, especially the election in November.

Coinciding with Trump's dropping popularity was a series of actions his administration took against China after mid-July. They brought a broad sense of shock across the Chinese government over the pace, scope, severity, and strength of measures Washington pursued within a short period of time, including the end of preferential economic treatment of Hong Kong, the sanctions on Politburo member Chen Quanguo and Huawei employees, Secretary of State Pompeo's statement on China's unlawful claims in the South China Sea (SCS), the signing of the Uyghur Human Rights Act, the arms sales to Taiwan, the deployment of two aircraft carriers in the SCS, and potential sanctions on all members of the Chinese Communist Party.

The “freefall” of bilateral relations also created genuine concern within the Chinese security and military apparatus that the Trump administration might be aiming for “deliberate accidents” and “systematic escalation” with China in the region, followed by a strong desire to engage the U.S. in dialogues on “crisis management,” “crisis stability,” and “rules of engagement,” especially in the South China Sea and the Taiwan Strait. An urgent question emerged as to what China could do to avoid a military showdown or an accident with the U.S.—in other words, how to de-escalate without “losing face.” For the sake of de-escalation, senior Chinese diplomats sent a series of signals to the U.S. to strike a conciliatory tone:

- On July 9, State Councilor/Foreign Minister Wang Yi promised in his statement at a U.S.-China think tank forum that “there is no change to China’s policy toward the U.S. and China still bears goodwill and sincerity to develop bilateral relations.”¹⁴ He hinted that China is ready for dialogue but would not make a proposal: “If the U.S. is willing, we can restore and restart dialogue mechanisms at any level, and at any time.” He also offered three proposals: 1) open all dialogue channels; 2) pursue cooperation on COVID-19; and 3) negotiate three lists: issues for cooperation, differences for dialogues, and conflicts to manage.
- On July 8, Vice Foreign Minister Le Yucheng spoke at a virtual dialogue co-hosted by the Asia Society and Chinese People’s Institute of Foreign Affairs. Le disputed the “zero-sum” nature of U.S.-China competition, emphasizing that “the real enemy of the U.S. is not China but viruses and other non-traditional security threats.”¹⁵ He also reminded people of the profits the U.S. has made from China in the past four decades and demanded that the U.S. abandon the desire to change China, especially its political ideology. He called for “dialogue to manage differences” and “respect for each other’s core interests and concerns.”
- On July 3, former deputy chief of the Central Committee’s International Department, Zhou Li, published a widely circulated piece on the “six preparations China needs in light of the deterioration of the external environment.”¹⁶ He warned that there will be more punitive measures, unprecedented difficulties, and challenges from the U.S., and that China needs to soberly recognize the inevitability of decoupling. The piece is interpreted as a quasi-official recognition of the dire consequences, problems, and pushbacks China’s assertive policy has generated, especially on the U.S. front.

During the final six months of the Trump administration, a sense of hopelessness ran rampant in the Chinese policy community. Not only were people convinced of the irreversibility of great power competition, and the deterioration of U.S.-China relations, but the pessimistic conviction also remained solid regardless of the result of the November election. For the Chinese, the silver lining of a Biden administration is found in the anticipated different style of great power competition and how it will be implemented by Biden, but it is not found in the nature of the great power competition itself. Even if the Chinese tried to stabilize relations with the U.S. through an emphasis on and commitment to cooperation, the commitments would never be free of two caveats.

Caveat #1: Finger-pointing at the U.S. for All Problems

The first caveat lies in the Chinese assessment of the source of the tension. Indeed, without identifying the correct problem, a correct solution is out of the question. However, self-reflection is completely missing from the Chinese messages. Instead, all Chinese fingers are pointed at the U.S. for everything that has gone wrong. According to Wang Yi, “the current China policy of U.S. is based on unsubstantiated strategic misjudgment and is full of emotional venting and McCarthyist paranoia...The U.S. lacks confidence, open-mindedness, and tolerance, and is creating all kinds of ‘China threats’ leading to its self-fulfilling prophecy.” Similarly, Vice Foreign Minister Le has attributed the source of tension to the U.S. pettiness and dark mindset that “does not allow anyone to do better or be more competitive than the U.S.”¹⁷ He also attacked the U.S. for its “hysteria” and Machiavellian approaches to “beat its competitors down.”

Although Chinese interlocutors privately acknowledge the existence of self-criticism within China about its foreign policy mistakes, such reflections are certainly not shared with outsiders. More importantly, they do not appear to have generated any course correction within the Chinese foreign policy apparatus. The dominant, self-serving narrative remains that the current difficulties are all created by the U.S. due to its misunderstanding of China and its selfish calculations.

Caveat #2: Setting Perimeters for the U.S. Policy

Because the Chinese blame the U.S. for the freefall of bilateral relations, their proposals are targeted at how to set boundaries for the U.S. policy to prevent further “freefalls.” The Chinese argue that more dialogues are needed to “correct American bias and prejudice,” while historically, dialogue has been used adeptly by Beijing to “delay and conquer.” It is particularly important to understand the Chinese intent to draw the focus back to establishing the three “lists” as emphasized by Wang Yi: a list of issues for cooperation, of differences to discuss, and of conflict issues to manage. In the Chinese calculation, a long list of cooperation items could enhance the value of China to the U.S. and therefore increase the cost of confrontation—in the vein of “if the U.S. antagonizes China, China will not cooperate on North Korea, climate change, or COVID-19.

The second list—a list of differences for dialogue—is aimed at minimizing U.S. freedom of action while maximizing Chinese freedom of action because China can use dialogue to negotiate and delay actions in areas such as the Belt and Road and South China Sea. The third list—a list of conflict issues that the two sides should manage—is literally aimed at drawing redlines for the U.S. As Le Yucheng put it, “China will absolutely not allow any external interference on core interest issues including Taiwan, Hong Kong, Xinjiang, and Tibet.”¹⁸ In other words, in the Chinese view, the issue that needs management is not U.S. dissenting views but how to prevent and isolate U.S. actions.

Into the Biden Era

Some minority Chinese policy wonks might have preferred another term served by Trump because of the damage the United States inflicted upon itself under Trump. But they certainly do not represent the broad consensus of the policy community in China. As argued before, the Chinese still believe that they are the sheer winner of the COVID-19

pandemic vis-à-vis the United States. However, exhausted by Trump's unexpected, extreme moves and his willingness to trash bilateral relations for domestic politics, by the November election, China was more than eager to move on to a new chapter of bilateral relations.

As an overarching theme, the Chinese expect a Biden presidency to stabilize U.S.-China relations. First and foremost, China sees Biden as a traditional, experienced, and rule-abiding career statesman. He is expected to be predictable and to follow the basic "rules of engagement" in international relations. Based on his experience as vice president and the composition of his foreign policy team, the Chinese believe that Biden will most likely be a "restorationist" of traditions of neoliberalism, multilateralism, and globalism that were prevalent in Obama's foreign policy. In addition, because of the Democrats' conviction and commitment to international norms, Biden is expected to respect the rules, norms, alliances, the international system. Therefore, Biden's foreign policy style and approaches will be vastly different from Trump's despite the bipartisan consensus on China as a threat.

China sees Biden returning to the "liberal hegemonism" tradition of U.S. foreign policy as supported by the establishment/elites, and strengthening U.S. global leadership by promoting liberalism in international relations. This is particularly true for the relations between the U.S. and international organizations, including multilateral trade mechanisms such as the TPP and WTO. While Trump followed a strategy of "exit" and the U.S. has withdrawn from multiple international organizations, the Chinese believe that Biden is inclined to return, including his return to the Paris Agreement and WHO. These, in the Chinese view, will refocus the competition back to norms and influence, rather than the current overwhelming focus on trade and hard national power.

Biden's priority issues will also be different from Trump's. While trade was Trump's top priority and the most contentious issue with China since 2017, Biden is expected to have a long list of issues for which China's cooperation is not optional for the U.S., such as climate change, North Korea, Iran, and global governance. Once these issues reemerge as priorities, they will offer China more leverage to counter or balance U.S. policies in other arenas through "issue linkage."

The Chinese expect Biden's policy to be more traditional, but they also recognize that a more traditional Biden will bring back challenges to China that Trump had more or less ignored. Biden is expected to rely on a coalition-based, collective approach to counter the China threat; while Trump had allowed China to expand and deepen its influence in the East Asia region, Biden is expected to push China back. Repairing ties with allies and reasserting U.S. alliances could deepen China's isolation in the region and beyond. As a result, China could face an expanding anti-China coalition, not only in military terms, but also in terms of politics, economics, regional frameworks, and rules and norms. In addition, Biden is expected to resume the Democratic Party's longstanding criticism of China's domestic politics and human rights, an area that Trump mostly avoided. These concerns do not negate the fact that China still sees Biden as a stabilizing figure, only that he will bring a different set of challenges than China had encountered in the past.

Simply put, the Chinese policy community is much more reassured by the "normalcy" of a Biden administration on a general level but is still worried that progress or improvement on specific issues may not happen quickly or happen at all. The Chinese expect much less heartburn than what was associated with Trump's drastic and dramatic disruptive policies.

For the traditional and conventional Chinese bureaucrats, turning U.S.-China relations into interactions with decency and normalcy at the core is what China needs most. In this sense, optimism prevails on the general level among Chinese foreign policy wonks, a sense of “no matter what happens, U.S.-China relations under Biden will not be worse than under Trump.”

However, the optimism is much less evident at the tactical level and on specific technical issues. The Chinese recognize that the election of Biden only changes the U.S. president but does not remove any of the friction points between the U.S. and China. In fact, although the hope is that the U.S. and China would use the first six months of the Biden administration to “reset” or “renormalize” their relationship, the more realistic expectation is that disruption will happen during the first half of 2021. And the expectation is that China under Xi will still have to react as he has in the past four years during the Trump administration.

The Alaska Meeting

The first day of the Alaska meeting has come as a surprise for many in both U.S. and China. Due to the result of the QUAD summit, the sanctions on senior Chinese officials due to Hong Kong, and the harsh tone on China from the U.S.-Japan joint statement after their 2+2, Beijing had made a serious effort to manage the expectations about the meeting before March 18 itself. However, the undiplomatic and confrontational spat during the first meeting still brought people’s perception of U.S.-China relations to a new low. One Chinese expert commented privately: “Anchorage has offered no anchor, only rage.”

China’s Pre-Alaska Expectation Management

One week before the meeting in Alaska, the foreign policy community in Beijing had painted a rather rosy picture of the upcoming “senior-level strategic dialogue” and the anticipated “deal-making.” Part of it was due to the surprise nature of the meeting announcement (the meeting was announced only one week before it happened). And the Chinese are inclined to believe that the secret negotiation must have gone on for a while beforehand. Part of it was the wishful thinking among Chinese analysts that the Biden team is practical and cooperation is important, hence imminent.

But since the meeting announcement, events rapidly declined in the Chinese eyes. The QUAD summit, especially its announcement on the quadrilateral cooperation on vaccine production and supply chain management, is bad news for China’s desired vaccine cooperation with the U.S. The joint statement from the U.S.-Japan 2+2 is even more sobering for China—with Japan publicly adopting perhaps the most critical tone on China in recent years. Furthermore, the sanctions on 24 Chinese officials due to the crackdown in Hong Kong on March 17 showed the Chinese that the U.S. is not offering any leniency or saving China any face, knowing that the meeting in Alaska is only two days away. In addition, the State Department denied any plan for the Alaska meeting to discuss a Xi-Biden virtual meeting during the climate change summit next month. These all put China in an awkward position given its previous positive “spin” on the Alaska meeting.

Senior diplomats and scholars had been mobilized since March 16 to manage expectations about the meeting. Two days before the meeting, Ambassador Cui Tiankai stated that “China doesn’t have high expectations or illusions about this dialogue” and he only hopes the meeting will be “the starting point to begin an honest, constructive and rational process of dialogue and communications.” By March 18, almost all public commentaries by Chinese experts had focused on the prospect that the meeting may not render many positive messages, and on the prediction that the battle with the U.S. will be protracted.

Who Violated Diplomatic Protocol?

The spat during the first session of the Alaska meeting is centered on the profound conflict of the American and Chinese positions. However, the issue of “diplomatic protocol” played a significant role in exacerbating the interaction. The two sides had agreed to two-minutes initial remarks, which evidently was violated by all four speakers, but to vastly different degrees. According to the media’s counting, Blinken’s opening statement lasted for 2 minutes 27 seconds, Sullivan’s 2 minutes 17 seconds, Yang’s response 19 minutes 40 seconds, and Wang’s 4 minutes 9 seconds.¹⁹ The Chinese government launched ferocious attacks on the U.S. over the issue of diplomatic protocol for “severely exceeding the time allocated for their opening remarks,” neglecting the fact that U.S. speakers were fewer than 30 seconds overtime and Yang’s speech was ten times longer than what it was supposed to be.

The other two accusations Beijing launched against the U.S. on diplomatic protocol were focused on the substance. The first, according to the Foreign Ministry, is “the wanton attack on Chinese domestic and foreign policy,” which was neither “good host manners” nor “proper diplomatic etiquette.”²⁰ The second accusation, based on Wang Yi’s remarks, is that the U.S. sanctions on Chinese officials related to Hong Kong “at the same time the Chinese delegation was leaving for Alaska,” was “not a normal way to treat guests.”²¹ The Chinese frustration was evidently not just about the U.S. exceeding the time limit.

China’s Spin on the Events Domestically

Although the first meeting in Alaska was not particularly fruitful, the second meeting, according to Wang Yi’s comments afterwards, still covered many regional issues. This raises some hope that some positive messages could still be in the cards.

However, in the Chinese domestic narrative, the confrontation between the U.S. and China in Alaska has been portrayed as the victory of China’s rise and the rejuvenation of the Chinese nation with the goal to stoke nationalism and patriotism. Quotes from Yang and Wang’s long remarks were instantly promoted on Chinese social media, with examples such as, “most countries in the world do not recognize American values as global values” and “U.S. has no position to be condescending when speaking to China as the Chinese people never buy it.”²² *China Daily* even made the quotes into posters and social media handles for WeChat. Comparisons are made between the negotiation of the Boxer Protocol in 1901 and the Alaska meeting in 2021 to illustrate how “the realpolitik world has not changed but

China's status has.”²³ In order to demonstrate how China has surpassed the U.S. in moral superiority and world leadership, *China Youth Daily* created a poster that compares Yang's claim that “China follows the value of the whole of mankind including peace, development, fairness, justice, freedom and democracy”²⁴ with Sullivan's statement that “the priority of the U.S. is to ensure that our approach with the world and China will benefit the American people.”²⁵ The angle is that now China represents the world while the U.S. is selfishly caring only about itself.

Judging by the reaction on social media, Beijing's spin has been largely successful in China. The indoctrination among Chinese people about the “100 years of humiliation” through patriotic education makes the comparison between 1901 and 2021 particularly appealing to the Chinese audience.

Outlook on U.S.-China Relations

If anything, the Alaska meeting set the expectations straight for both the U.S. and China about each other and their bilateral relations. China came out of the meeting disillusioned about the Biden administration's China policy. Although it is still believed to be “more benevolent and less destructive” than Trump's China policy, Beijing is now focused on building its strength, both in terms of domestic development and foreign policy alignment, to counter what it perceives to be a U.S.-led coalition to counter China's rise. This means the political, security, and economic competition for influence and supremacy will only deepen in the years ahead, although its manifestation might be less disturbing or turbulent than what the world witnessed during the last two years of the Trump administration.

Conclusion

The COVID-19 pandemic has had a profound impact on geopolitics in the region and globally. It has changed the perception and trajectory of Chinese foreign policy and grand strategy. Instead of making China humbler and pursuing a policy of frugality and retrenchment, the pandemic has further convinced China of the inevitability and the acceleration of the changing power equilibrium between the U.S. and China. For Beijing, the pandemic expedited the U.S.'s relative decline vis-à-vis China's continued rise, the relative decline of the Global North versus the Global South, and the relative decline of the West versus the East. Through the pandemic, China has become more confident of the concept of the “profound changes unseen in a century” and of the superiority of its material strength and governance effectiveness, and the desirability of the international order that China tries to pursue: the community of common destiny for mankind.

The growing Chinese confidence inevitably poses tremendous challenges to the policy of the United States, as well as of other countries in the region. Not only does China understand that U.S.-China relations cannot return to their previous stage, but it also does not want to return to the status quo ante. The power equilibrium in the Indo-Pacific is shifting, and, at least between the U.S. and China, the change is not necessarily in Washington's favor. Therefore, for China, the priority is to project as much stability as possible to avoid a confrontation with the U.S. but at the same time utilize its economic and political advantages to consolidate and accelerate the trend that Beijing sees as already set into motion.

The pandemic may not have changed what had already been in place in the shifting dynamics in regional politics and international relations. But it certainly has reinforced and potentially exacerbated those trends that are possibly tremendously destabilizing. Regional politics has not exited the tunnel into a more promising future. How to manage and counter the rise of China has become more difficult than ever before.

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The COVID-19 Pandemic and Geopolitics in the Indo-Pacific: A View from the United States

Jacques deLisle

The COVID-19 pandemic poses significant geopolitical challenges and presents opportunities for the United States in the Indo-Pacific. The Trump administration bungled the crisis, damaging the U.S.'s standing as a paragon of competence in public health, and functional governance more generally. The international face of the U.S. response deepened preexisting concerns—especially significant in the Indo-Pacific—that the U.S. had retreated from its post-Second World War and post-Cold War role of providing international public goods and leadership and supporting international institutions.

Opportunities for the U.S. amid the crisis and in its aftermath stem primarily from shortcomings or unappealing features in China's handling of the epidemic, and stumbles in China's self-presentation as a provider of foreign assistance and international cooperation, and from U.S. policies—many of them embraced by the Biden administration—that could correct missteps and ameliorate trends that have diminished U.S. standing (especially during Donald Trump's presidency). For the U.S. to reap potential gains, it also must adapt its policies to the implications of some Indo-Pacific states' comparatively successful responses to the pandemic, and the pandemic-spotlighted nature of contemporary international problems.¹

U.S. Failure at Home and Its Implications Abroad

The impact of the COVID-19 crisis on U.S. stature in the Indo-Pacific has been strikingly negative.² The incompetence of the American response—especially by the Trump administration—damaged the U.S.'s long-standing image as a world leader in public health (especially through the Centers for Disease Control and Prevention), and as a better-than-dysfunctional state.³ With less than one-twentieth of the world's population, but one-fifth of global deaths and one-quarter of worldwide cases more than a year into the pandemic, the U.S. compared very unfavorably to world averages and, especially, to many countries in the Indo-Pacific.⁴ As one European commentator remarked, the United States has been admired, envied, hated, and feared in the post-Second World War era, but never before pitied.⁵ The U.S. suffered the further indignity of being among the countries whose citizens were particularly unwelcome to travel internationally, including in the Indo-Pacific.⁶

The U.S. image took further blows as critical voices in the region, including Chinese sources, linked accounts of pandemic failure to a storyline that included the Black Lives Matter protests and the election-related chaos that culminated in the January 6, 2021 pro-Trump insurrectionary assault on the Capitol.⁷ Potential gains from U.S.-based companies' development of highly effective vaccines were undermined by a slow and disorganized initial effort to distribute doses.⁸

The Trump administration's pandemic-related foreign policy compounded these problems. Belated and patchwork, but abrupt and provocative, bans on travel from China and elsewhere mirrored the chaotic and ineffective approach at home. The administration adopted a nationalist approach to fighting an international pandemic, signaling abandonment of a U.S. leadership role in a border-disregarding crisis.⁹ Despite belated moves to increase modest levels of aid, the U.S. relinquished its familiar place as a provider of assistance to address a burgeoning global problem.¹⁰ Chinese official sources, especially, sought to highlight the U.S.'s uncooperative approach, and—mirroring the darkest charges U.S. sources leveled against China—even insinuated that the virus came from the U.S. military.¹¹

COVID-19, the WHO, and U.S. Retreat from International Institutions

As the COVID-19 crisis unfolded, the Trump administration attacked the World Health Organization (WHO)—the principal UN-affiliated body for addressing threats to international public health. It charged that the WHO had been too slow to raise the alarm about the new and dangerous disease because the organization was too solicitous toward, complicit with, or influenced by China. U.S. statements assailed the WHO and its director-general for failing to fulfill their duties and commending China’s initial response (following Trump’s early praise for Xi Jinping’s handling of the outbreak).¹²

The Trump administration sought to blame the epidemic’s impact in the U.S. on the WHO, claiming “so much death has been caused by their mistakes,” including the WHO’s having “pushed China’s misinformation” and having “fought” Trump’s limit on flights from China.¹³ In mid-2020, it announced that the U.S. would withhold contributions to the WHO, depriving the organization of one-fifth of its core budget and a significant part of its voluntary contributions. Trump gave notice that the U.S. would leave the WHO and not participate in its consortium to develop and distribute vaccines.¹⁴

This response to the pandemic extended a broader Trump-era turn away from international institutions and the rules-based order associated with them. The United Nations Human Rights Council (UNHRC), the International Criminal Court (ICC), the World Trade Organization (WTO), and the United Nations Framework Convention on Climate Change (UNFCCC) all faced denunciation for alleged unfairness to the United States. In some cases (such as the Trans-Pacific Partnership (TPP), the Paris Accords, and the UNHRC), Washington announced a full withdrawal.¹⁵ Under Trump, the United States had become an openly revisionist power.¹⁶

American skepticism toward established international institutions had been building before Trump. Barack Obama’s efforts to bring the U.S. into the Paris Accords required inventive uses of executive action in the absence of congressional support, and the U.S. had never joined the Kyoto Protocol to the UNFCCC.¹⁷ The TPP—the first large-scale multilateral U.S. trade accord since the WTO—was foundering in Congress during Obama’s tenure. U.S. accession to the Rome Treaty for the ICC, the United Nations Convention on the Law of the Sea, and the International Covenant on Economic, Social, and Cultural Rights had remained unachieved for decades. The UN and other multilateral organizations have been targets of long-running and growing American criticism for their dependence on U.S. funding and non-alignment with U.S. interests and preferences.¹⁸

These developments reflect a view that it no longer serves national interests for the U.S. to bear many of the costs—whether directly (providing material resources for multilateral bodies) or more obliquely (countenancing cheating or free-riding, or providing incentives and sanctions to police nonconforming behavior)—now that a relatively declining U.S. receives a smaller share of the regime’s benefits and faces growing demands from rising powers, especially China, to revise rules to suit their agendas. The U.S.’s hegemonic decline is perilous for international institutions, such as the WHO, especially when China and other powers have not been willing and able to take on roles long played by the U.S.¹⁹

Viral Blame Game: U.S.-China Ideological Conflict and the Pandemic

Another dimension of the Trump administration's response to COVID-19 was a push to blame China for the pandemic. Senior administration officials, members of Congress, and Republican politicians charged that China was responsible for the coronavirus's effects in the U.S. and around the world. They called COVID-19 "the China Virus," "the Wuhan Virus," and even "the Kung Flu." They attributed U.S. troubles to China's withholding information and holding sway over the WHO.²⁰ Dubious claims alleged the virus originated in a Chinese lab, or was a bioweapon, or was released intentionally.²¹ Bills in Congress called for imposing legal liability on China for COVID-related harm in the United States. Although more strident on the Republican side, the coronavirus-accelerated turn in views about China extended across the partisan divide.²² The indictment stressed broad features of China's domestic political order. For example, Secretary of State Pompeo condemned China's "censor[ing] discussion of the pandemic," and declared that China and other "authoritarian regimes" are "poorly designed to deal" with a crisis such as the pandemic while democracies, including the United States, "will deliver the right outcome."²³

These politics reinforced trends in U.S.-China relations that some prominent observers described as a potential or incipient new Cold War.²⁴ The Trump administration sought to draw distinctions between the "Chinese Communist Party" (CCP), on the one hand, and "China" or "the Chinese people," on the other hand, and flirted with advocating "regime change."²⁵ In 2017, the U.S.'s National Security Strategy had declared China an adversary on many fronts, including values, in a whole-of-society conflict.²⁶ The Trump-era "Free and Open Indo-Pacific" policy sought to rally democratic states and put China on the opposite side of a regional ideological divide.²⁷ A major China policy document declared that China "seeks to transform the international order to align with CCP interests and ideology" and is "engaged in an ideological competition with the West."²⁸

The belief that "constructive engagement"—integrating China into the global market-based economy and international institutions, and weaving dense political, social, intellectual, and other ties between China and the outside world—would make China more status quo-supporting internationally (and perhaps more liberal and incipiently democratic at home) had been crumbling for years. In its place had formed a bipartisan consensus that relations were at least as rivalrous as they were cooperative, and that the U.S. needed to be tougher on China (although there was less agreement about policy details).²⁹ In Washington, and in Beijing as well, the pandemic accelerated a long-brewing slide toward an ideational rivalry conducive to discord and polarization in regional politics.

Toward Decoupling: COVID and "Securitizing" Economic Issues

The pandemic sharpened a trend in the U.S. toward characterizing economic issues in relations with China as national security problems.³⁰ Chinese manufacturers were an indispensable source to meet spiraling U.S. demand for ventilators, Personal Protective Equipment (PPE), components for COVID test kits, and pharmaceutical inputs. Worries about dependence grew amid reports of defective or fake products, fraudulent contracts,³¹ and possible use of state control over exports as a source of international political

leverage.³² Calls grew for rebuilding U.S. manufacturing capacity in public health-related sectors, primarily to reduce vulnerability to China.³³ Matters grew worse when the U.S. Department of Justice indicted Chinese hackers for allegedly targeting U.S. firms working on COVID-19 vaccines. These developments unfolded against the backdrop of worries that China could outpace the U.S. in vaccine development, further diminishing U.S. international stature and enhancing China's cachet and influence (or, alternatively, delivering a subpar Chinese vaccine to a vulnerable world).³⁴ The Trump administration embraced a go-it-alone strategy—opting out of cooperative efforts to develop and share vaccines and treatments, and briefly contemplating moves to acquire exclusive rights to a potential vaccine from a foreign company, buy the entire stock of a promising therapeutic drug, and invoke national security powers to prohibit PPE exports and redirect to U.S. markets an American company's overseas production.³⁵

Critics saw the Trump administration using the pandemic to press its preexisting agenda of economic decoupling from China.³⁶ Trump's so-called trade war, and some of China's responses, entailed an assault on long-term patterns of interdependence, yielding escalating tariffs that reduced demand in each country's markets for the other's exports, U.S. bans or threatened bans of major Chinese technology companies in U.S. markets, mounting concerns among U.S. businesses about retaliation from Chinese authorities, and, in turn, serious threats to intricate global supply chains across the Indo-Pacific region.³⁷

Before Trump came to power, long-standing and increasingly bipartisan U.S. concerns about China's domestic and foreign economic policies and practices—condemned as unfair to U.S. interests and inconsistent with international rules—were becoming more urgent and consequential.³⁸ China was moving rapidly into higher technology sectors, potentially threatening large and dynamic parts of the U.S. economy and posing national security—as well as national economic security—challenges. Under Xi, China had adopted more assertive industrial policy, economic nationalism, and statist economic policies that sought leadership or dominance in emerging technology industries.³⁹ Beijing's long-running pursuit of trade agreements, and the Xi-era push for investment in infrastructure projects abroad through the Belt and Road Initiative (BRI), increased prospects of a fissure between U.S.- and China-centered spheres in a less integrated international economy, including in sectors relevant to fighting pandemics.⁴⁰ From both sides came escalating challenges to the deep and long-growing interdependence between the U.S. and China and among many Indo-Pacific economies that had underpinned a long era of stability and prosperity.

International Power Shifts and the Pandemic

The U.S.'s flummoxed response, protracted epidemic, and deep and comparatively long economic downturn arguably signaled the erosion of U.S. power—especially in the Indo-Pacific and in comparison to China, where the effects of initial failures in handling the outbreak were less devastating and consequences more short-lived.⁴¹ COVID-driven reductions in U.S. naval deployments and cancellation of military training exercises (prominently, in East Asia) were minor blips, but they resonated with broader concerns about U.S. hard power. China's taking a prominent mid-pandemic role at the WHO—including Xi's speech to the 2020 World Health Assembly (WHA)—and advocating international collaboration to address COVID-19 appeared to show Beijing stepping into a vacuum created by the U.S.'s retrenchment under Trump.

Trump-era actions worsened worries about a functional decline in U.S. power. Erratic, unilateralist, at times accommodating to, and praising of, China, North Korea, and Russia, and questioning security commitments to, or demanding more contributions from, allies and friends from East Asia to Europe, Trump foreign policy provided a “proof of concept” that precipitous American decline or withdrawal was possible. Reassuring statements from senior officials about U.S. commitments and substantial (if likely unsustainable) increases in defense spending could not undo the damage.

Assessments that the U.S. needed to rebuild capacity and credibility to address China’s emergence as a principal global challenger and security threat predated the Trump administration’s China-focused national security documents.⁴² Defense planning increasingly had emphasized China contingencies, especially after disputes in the South and East China seas flared anew in the 2010s. Obama’s “pivot” or “rebalance” to Asia had promised to refocus U.S. attention and assets toward the Indo-Pacific and had seen the TPP as an economic complement to regional security policy.⁴³

At best, increasingly adversarial great power politics portended additional challenges for any multilateral approach to managing the pandemic and kindred future threats. At worst, they pointed to greatly increased risk of disruptive conflict between a previously dominant power and a rising rival seeking to remake regional and international orders to accommodate its interests and preferences.⁴⁴

Impact and Implications in the Indo-Pacific

These developments pose several substantial challenges for regional order in the Indo-Pacific and, in turn, geopolitics in which Indo-Pacific issues loom large. First, the COVID-amplified problems of international institutions, including the WHO, have especially troubling implications for the Indo-Pacific, where regional institutions are not robust⁴⁵ and global institutions are therefore all the more important. The Association of Southeast Asian Nations (ASEAN) is the most notable exception, but it is merely subregional, beset by internal divisions (some born of members’ disparate relations with China), and anchors only diffuse and *ad hoc* broader regional arrangements (many of them in the form of loose “ASEAN+” structures). China’s preference for informal bilateral negotiations and agreements has been inimical to the development of strong region-wide institutions and accords.⁴⁶ Groupings that straddle some intra-regional cleavages, such as the Shanghai Cooperation Organization (expanded to include India, with which China has a fraught relationship), the Regional Comprehensive Economic Partnership (RCEP, established in late 2020), and BRI-related initiatives are far from comprehensive and remain institutionally thin.

Declining U.S. support and limited Chinese backing for universal institutions such as the WHO are especially problematic in the Indo-Pacific due to regional risk factors. As COVID-19 (like SARS before it) made clear, countries located along China’s periphery and lacking much influence over Beijing’s behavior are particularly vulnerable to pandemic threats (which often emanate from China), and thus are especially imperiled when the WHO is besieged or hobbled, whether by the U.S. or China.

Second, a COVID-exacerbated ideational rivalry between the U.S. and China has highly troubling implications for Indo-Pacific states. They are at the frontlines of U.S.-China frictions, have benefited greatly from many years of relatively good U.S.-China relations, and have long sought to avoid taking sides.⁴⁷ A U.S.-China rivalry that focuses on zero-sum conflicts over values and political system types—rather than disputes over more tangible issues, which tend to be more amenable to bargaining and compromise—increases stress on a fault line between democratic and authoritarian regimes, particularly within Southeast Asia but also across the Indo-Pacific region.

Third, movement toward U.S.-China economic decoupling, hastened by the pandemic, would imperil, or at least unsettle, arrangements that have disproportionately benefited Indo-Pacific economies. Integration into global value chains of production and sales, in which the U.S. and China are the largest participants, has driven impressive growth that stretches from highly advanced Japan, to rapidly transforming Vietnam, and, at least incipiently, into South Asia. Prospects for still-deeper integration had seemed bright when the U.S.-led TPP and the PRC-centered RCEP neared launch. But such hopes faded when Trump announced that the U.S. would opt out of the TPP, India did not join the RCEP, and concerns grew in the region about the economic terms and political motivations of the BRI.⁴⁸

Pandemic-intensified moves to diversify U.S. supply chains away from China promised some upside for some Indo-Pacific economies, given the limited potential for onshoring to the United States.⁴⁹ But many East Asian economies that are deeply integrated with both China and the United States faced risks that Washington would apply national security-based export controls or impose sanctions with extraterritorial reach if regional tech firms continued to sell to customers, or collaborate with partners, in China. A pointed example of these challenges is the Taiwan Semiconductor Manufacturing Company, which sells heavily to China's Huawei, has defense-related contracts in the United States, and incurred pressure from both the U.S. and China to invest in production in their markets.⁵⁰ In the longer run, a shift in the previously integrated global economy toward U.S.-led and PRC-led spheres would diminish opportunities—or at least create serious uncertainty—for regional states that have benefited immensely from decades of growing economic interdependence.⁵¹

Fourth, the prospect of a significant decline in U.S. power (primarily relative to China)—whether due to waning resources or eroding will—is especially consequential in the Indo-Pacific.⁵² Both Washington and Beijing see vital interests at stake in the region, increasing the risk that regional states may become pawns, and prizes, in greater powers' competition. In the Indo-Pacific—and especially in East Asia—China has advantages of proximity that enhance its relative power, narrowing the effective gap with the United States. The region also is the principal locus of China's self-defined "core interests," while the Indo-Pacific is a less predominant concern for the United States, which has uniquely global interests and commitments and is present in the region by choice (and assessment of interests) rather than geographic necessity. Notably, the U.S. has sought to leverage its own resources through strengthening security ties with regional partners (including formal treaty allies, democratic polities, and others), and to reassure friends and allies of the reliability and durability of U.S. engagement (from the Obama-era pivot, through the FOIP, and many statements by senior U.S. officials, even during the Trump presidency, and on to Biden's reemphasis on regional alliances and partnerships).⁵³

Many regional states face difficult decisions about how much to bandwagon with China, or hedge and balance with the United States, in security policy. On more dire scenarios, an aphorism and its corollary resonate in the Indo-Pacific: when elephants (or in a variant more suited to parts of the region, tigers) fight, the grass suffers; and one unchecked rogue elephant (or tiger) also can be damaging to what lives underfoot.⁵⁴

U.S. Opportunities from China's Challenges

The U.S. does have opportunities for geopolitical gains or, at least, recovery in the Indo-Pacific. Some stem from weak points in China's efforts to derive political advantage from its handling of the pandemic. First, China presented itself to international audiences as a success story in controlling COVID-19 and as a model for others. Chinese sources, along with outside observers, touted the containment achieved through: locking down the initial epicenter in Wuhan; suspending travel and economic and social activity across the country; deploying immense amounts of medical personnel, equipment, and emergency hospital construction teams to afflicted areas; implementing massive-scale contact-tracing and tracking through labor-intensive monitoring at the building or neighborhood level and through big data-based, AI-enabled tools; and imposing strict quarantines and mobility controls.⁵⁵ By early 2020, a Foreign Ministry spokesman praised China's "signature strength, efficiency and speed" in combatting the pandemic and noted that China's approach had been "widely acclaimed" internationally.⁵⁶ Chinese analysts called for other countries to "resolutely adopt China's model," which was the "only proven successful" one.⁵⁷ Xi Jinping's 2021 New Year's address celebrated China's successful "epic ... fight against the pandemic" and referenced conversations sharing China's insights with foreign counterparts.⁵⁸

Such portrayals sought to bolster China's stature, especially given the contrast with U.S. failures.⁵⁹ But any gains were limited or fragile—and left open opportunities for the U.S.—because aspects of China's approach at home lacked appeal abroad, particularly in democratic polities in the Indo-Pacific.⁶⁰ China's methods were strikingly repressive and relied on highly intrusive monitoring and control, including residents' committees, urban grid management systems, other party-state-led watchdogs, and intensification of the already-formidable surveillance state. After a brief period of some openness, authorities censored, silenced, and deterred social and conventional media exposés of the government's crisis response. The regime operated without the constraints of civil liberties, privacy rights, civil society, or legal means for limiting or challenging government action characteristic of liberal democracies (and some authoritarian regimes) in many Indo-Pacific states.⁶¹

Second, China pursued influence through COVID-related foreign policies that went beyond showcasing competence at home to present China as a benevolent provider of foreign aid and international cooperation. An official White Paper declared that China "acted with a keen sense of responsibility to humanity... and the international community."⁶² An expert quoted in the *Global Times* asserted that China deserved credit as "the whistleblower for the world" on COVID-19.⁶³ China's dominant role in manufacturing essential supplies for coping with COVID-19 gave it a prominent role in efforts to address the pandemic everywhere.⁶⁴ State and non-state actors made, and publicized, donations to Indo-Pacific states, including poorer countries in South and Southeast Asia, outpacing early contributions from the U.S. and other Western powers.⁶⁵ Beijing also dispatched Chinese medical and public health experts, in person or via teleconference, to share hard-won experience on combatting COVID-19.⁶⁶

In addressing the WHA's 2020 session, Xi pledged more than \$2 billion in aid to defeat COVID-19 and to promote economic recovery, especially in developing countries, and promised that China's vaccine would be a "global public good" available to all⁶⁷ and especially to poor countries, some in the Indo-Pacific—a pointed contrast to the approaches of the United States and other rich countries, which focused on securing supplies for themselves.⁶⁸ In a January 2021 address to virtual Davos, Xi recounted China's COVID-related assistance to other states and international organizations and vowed continuing collaboration in combatting the pandemic and making vaccines available, especially to the developing world.⁶⁹ In a speech to the Boao Forum in April 2021, Xi connected the fight against COVID-19 to China's support for international economic openness (to speed economic recovery), international public health cooperation (including support for the WHO, research and development cooperation, and the co-production of vaccines that China was undertaking in Indo-Pacific BRI partner states), eschewal of a new Cold War, and pan-Asian solidarity (implicitly marginalizing the U.S. in the region).⁷⁰ Other Chinese officials similarly linked Beijing's COVID diplomacy to China's self-portrayal as a benevolent international actor more generally, presenting a "health silk road" as part of the BRI and including a "community of shared health for humankind" within the "community of shared future for humankind."⁷¹

Here, too, China's possible wins were undercut by weak points.⁷² Complaints emerged of price-gouging by Chinese suppliers selling scarce products on international markets, and quality problems with sold or donated equipment. Some foreign analysts asserted that China might be steering aid and sales based on the state of relations with recipient countries, or using modest assistance programs to wring diplomatic support on issues important to Beijing.⁷³ Much of the backstory to COVID diplomacy threatened to undermine China's narrative: the pandemic's origin in Chinese territory, its apparent roots in China's lax regulation of wildlife markets, flaws in China's initial response to the outbreak, and so on.⁷⁴

With Beijing's focus on developing countries, its assistance programs largely bypassed the Indo-Pacific's many well-off states. Among aid-receiving countries and other states in the region, some publics and politicians were skeptical about the quality of vaccines from China (given prior vaccine scandals in China, quality problems with Chinese-made PPE and other equipment early in the pandemic, and later-emerging concerns about the efficacy of China's COVID vaccine and the opacity of trial data), and concerned about what Beijing would expect in return for its pandemic help.⁷⁵ For many in the region, any turn to China had shallow roots: it was more a matter of *faute de mieux* than genuine enthusiasm.⁷⁶

Even if the pandemic and its aftermath bring soft power gains or diplomatic boons for Beijing, they are unlikely to be so transformative as to overcome the challenges facing China's quest for influence, particularly in the Indo-Pacific.⁷⁷ Many regional states have well-entrenched wariness toward China's rising power, Beijing's increasingly assertive foreign policy substance and style (exemplified by "wolf warrior" diplomacy), and the PRC's unattractive (at least to liberal democracies) model of governance.⁷⁸ In this context, a depleted and tarnished U.S. can find openings to preserve or recoup political influence and stature.

U.S. Opportunities with a New Administration

Geopolitical opportunities for the United States in the Indo-Pacific in the wake of COVID-19 will expand if the U.S. undoes some of the damage wrought by its behavior during the pandemic's first year and ameliorates developments occurring during the Trump administration and under its predecessors. The fresh start of a new presidency, rapid distribution of highly effective vaccines to a very high proportion—by world standards—of the population, nearly two trillion dollars in government spending to speed recovery from the economic impact of COVID-19, and the adoption of policies to provide vaccines to other countries, all offer chances to rehabilitate U.S. standing (although the potential gains face some risk from plateauing rates amid vaccine hesitance in the U.S. and persistently cavernous gaps in vaccine availability between the U.S. and most other countries).⁷⁹ The Biden administration's broader foreign policy agenda promises to address many of the COVID-exacerbated challenges it inherited, and to exploit opportunities, particularly in the Indo-Pacific, that arise from vulnerabilities in China's pursuit of political gains amid the pandemic.⁸⁰

Rapid and deep reversals of trends that predated (and in some cases long preceded) COVID-19, and which accelerated during the pandemic, are unlikely. The implications are mixed for U.S. prospects for geopolitical gains in the Indo-Pacific. First, in the U.S.-China ideational contest, the Biden administration retrenched from the Trump era's widely alienating vituperation and assertions of American moral superiority. But a harder-edged policy toward China has endured and emphasizes values (now framed in more universal terms). Washington has a now-well-entrenched bipartisan consensus that constructive engagement must be superseded by an approach that is—in Secretary of State Blinken's phrase—"competitive when it should be, collaborative when it can be, and adversarial when it must be" toward China across many issues and in a quest for influence in the Indo-Pacific.⁸¹ The readout of Biden's first call as president with Xi (which was much less upbeat than China's version) declared "preserving a free and open Indo-Pacific" to be a priority and "underscored" Biden's "fundamental concerns" about Beijing's "crackdown in Hong Kong, human rights abuses in Xinjiang" (which the U.S. dubbed genocide), "and increasingly assertive actions in the region, including toward Taiwan."⁸² At the first ministry-level bilateral meeting of the Biden years, Blinken and National Security Advisor Sullivan sounded many of the same themes and reiterated Washington's determination to press them in relations with China. At that meeting and during the National People's Congress 2021 session, top Chinese foreign policy officials Yang Jiechi and Wang Yi struck similarly politically charged notes, challenging U.S. claims to the mantle of universal values.⁸³

More broadly, other statements from the Biden administration—echoing or amplifying its predecessors—emphasized shared democratic values as a linchpin of U.S. solidarity with allied and friendly states in the Indo-Pacific, and as a point of friction with China.⁸⁴ The Biden administration's returning of human rights and democracy to more prominent and consistent places in U.S. foreign policy foreshadows ongoing values-driven alignments and conflicts, especially in the Indo-Pacific. With U.S.-China ideational conflict intensifying from both sides, the Biden-era American hope, and bet, for rebuilding influence is that "values" offer favorable terrain on which to compete for influence in the region.

Second, although the Biden administration has turned away from the decoupling agenda that the Trump administration fitfully pursued and that threatened to disrupt Indo-Pacific economies, full reversion to the deep-integration-supporting international economic liberalism that characterized U.S. pursuit of the TPP and, before it, the WTO is not in the offing. Trump’s tariffs on Chinese imports were not among the many policies quickly reversed by the new administration (although there was a partial pause in measures against some Chinese tech companies).⁸⁵ The Biden administration continued its predecessors’ emphasis on long-standing U.S. complaints about China’s economic policies and practices, especially ones affecting tech sectors that are important to the U.S. and some Indo-Pacific countries. Biden policy statements have echoed adversarial aspects of Obama-era foreign economic policy that characterized the U.S. and China as competing to write the future rules of the global economy. In his February 2021 call with Xi, Biden stressed that his “fundamental concerns” included China’s “coercive and unfair economic practices.” Later that month, Biden issued an executive order—partly prompted by PPE shortages during the pandemic’s early days, and specifically addressing pharmaceuticals, semiconductors, and batteries for electric vehicles—to improve supply chain resilience, largely by increasing domestic production (inevitably, partly at the expense of Indo-Pacific suppliers).⁸⁶ The broader Biden economic agenda—which includes protecting U.S. jobs, making public investments in technology sectors, and cooperating with countries that share U.S. concerns about China’s economic behavior—portends continued wariness toward, and reduction of, dependence on global supply chains that include China. Tellingly, Biden framed his massive infrastructure plan partly in terms of U.S. competition with China.⁸⁷ China has mirrored U.S. moves, with a Five-Year Plan and other economic policies that called for greater economic and technological self-sufficiency and adopted an apparent tit-for-tat approach to economic sanctions,⁸⁸ and statements that framed China’s rapid post-pandemic GDP gains, rising intra-Asian trade and investment, and the BRI as drivers for regional and global growth.⁸⁹ For Indo-Pacific economies, these diverse developments create a mix of risks and opportunities, and can strengthen the U.S.’ position to the extent that regional states react by aligning with the U.S. or accommodating its policies, or at least steering away from much-increased dependence on, and resulting vulnerability to, China.

Third, Biden’s security agenda seeks to limit the shift in power from the U.S. toward China, and its consequences in the Indo-Pacific. Biden has vowed to rebuild relations with regional friends and allies that share Washington’s assessment of mounting threats from China. He has pledged to be in “lockstep” with allies and partners in the region and has characterized alliances and partnerships as “force multipliers.”⁹⁰ The administration quickly moved to spotlight and strengthen the Quad—the previously loose security alignment among the U.S., Japan, India, and Australia that has focused on challenges from China. Biden’s State Department extended the Trump-era turn toward more robust support for Taiwan, calling Beijing’s military pressure on Taipei a threat to regional peace and security, declaring the U.S. commitment to standing with “friends and allies in the region,” including Taiwan, “to advance our shared prosperity, security, and values in the Indo-Pacific region.”⁹¹ These moves dovetailed with calls for a longer-term project of strengthening domestic foundations of U.S. international power through investments in education, technology, and infrastructure, and repairing battered democratic norms and government institutions. If successful, these measures can shift—in the U.S.’s favor—the strategic balance with China in the Indo-Pacific and rebuild the credibility—with both friends and foes—of U.S. security commitments in the region.

Fourth, more dramatic changes seem more likely in U.S. reengagement with, and a resumption of leadership in, multilateral institutions, including the WHO, and a return to U.S.-led international cooperation more broadly—a sharp reversal of one of the most dramatic shifts of the Trump years. Biden moved quickly to rejoin the WHO (and its COVID-19 vaccine initiative), along with ending the exit from the Paris Climate Accords and re-engaging the UNHRC.⁹² COVID-19-related policy shifts include rebuilding or deepening international engagement and collaboration: restoring “America’s role in leading the world through global crises” including those imperiling global health security; “supporting the international pandemic response effort” and “global vaccine distribution and research and development”; strengthening multilateral initiatives, including COVAX, and “public health and humanitarian cooperation” in responding to COVID-19 and future biological threats; providing pandemic and humanitarian relief; building capacity in the world’s “most vulnerable communities” to mitigate and recover from COVID-19; reviving the Obama-era Global Health Security Agenda; and rebuilding U.S. capacity to forecast, detect, and warn about potential pandemics.⁹³

More broadly, Biden declared that his administration would “place the United States back at the head of the table” and work to “mobilize collective action on global threats.” Recognizing that “[t]he world does not organize itself” and arguing that “Trump has bankrupted the United States’ word in the world,” Biden promised to return the U.S. to its post-Second World War “leading role in writing the rules, forging the agreements, and animating the institutions that guide relations among nations and advance collective prosperity and security.”⁹⁴ This agenda, if implemented, would rebuild a once-stout pillar of U.S. influence and stature, globally and in the international crisis-prone and institution-impooverished Indo-Pacific.

This restorationist agenda faces significant challenges and uncertainties, however. International institutions are more fragile in a post-hegemonic world, easily damaged and difficult to repair—all the more so where institutions have committed missteps, and faced calumny, on the scale of the WHO in the COVID crisis. The Biden administration is not offering unequivocal support for major institutions, expressing serious concerns about the adequacy and accuracy of an early 2021 report by a Beijing-constrained joint PRC-WHO team investigating COVID’s origins, and calling for reforms to address ongoing U.S. dissatisfaction with the UNHRC and the WTO.⁹⁵ Yet, in the American political context, Biden’s professed aims seem highly ambitious, given domestic opposition or skepticism toward international organizations and robust international cooperation, and they thus far do not clearly go beyond restoring the pre-Trump status quo of an already vulnerable and perhaps increasingly inadequate institutional infrastructure. Abroad, the agenda may not attract the trust and buy-in from vital partners whom the Biden administration has acknowledged it needs, and who may be wary of the durability of U.S. commitments (especially in the aftermath of the Trump presidency) and the efficacy of U.S. backing (given longer-term declines in U.S. relative power and resources). Washington’s efforts face pushback from Beijing, which questions the stability of the purported U.S. return and presses Chinese conceptions and solutions for global governance, especially in Asia.⁹⁶ The U.S. tasks of reengaging and supporting institutional orders may be particularly daunting in the Indo-Pacific, with the region’s thin institutional infrastructure and its position astride the most fraught fault lines in the troubled relationship between the U.S. and its nearest-peer competitor.

Adapting to a Changing Context of Actors and Issues

As the COVID-19 crisis has demonstrated, inadequate capacity or ineffective means for dealing with a pandemic or similar international threat can bring severe consequences, including geopolitical ones. Much of the agenda articulated by the Biden administration, and many of the opportunities for the U.S. to make pandemic-related or post-pandemic political gains in the Indo-Pacific region, involve efforts to build capabilities, and provide more effective mechanisms, for responding to COVID-19 and kindred potential crises, often with U.S. leadership. Notably, both Biden and Xi (as well as policy analysts) have identified pandemic response as one item on a very short list of policy areas—with climate change being the other most prominent example—where the U.S. and China see hope for cooperation.⁹⁷ But the pandemic also has shown that crisis responses by great powers at home, and undertaken or led by them internationally, may fall short. Experience with COVID-19, particularly in the Indo-Pacific, teaches at least two lessons about coping with major types of contemporary international threats.

First, the U.S.'s—and China's—ineffective or unattractive domestic responses to the epidemic and their often-not-well-received pandemic-related foreign policies contrasted unfavorably with some Indo-Pacific countries that were comparatively successful and benign in handling the novel coronavirus and thereby have provided compelling models and valuable assistance abroad. Although victories can be fragile and fleeting, several regional jurisdictions achieved extraordinarily low infection and death rates even during the pandemic's first waves and despite being at the front lines, geographically and socially proximate to China. A year into the pandemic, Taiwan reported under 1,000 cases and fewer than ten deaths in a population of 24 million. Despite having the limited medical and public health resources of a lower-middle income country, Vietnam reported fewer than 50 deaths and around 1,000 cases in a population of nearly 100 million. New Zealand had fewer than 2,400 cases and 26 deaths in a population of nearly four million—the lowest rates among any “Western” state with a substantial population. Although performance varies across the vast region, many Indo-Pacific countries were below—and most of East and Southeast Asia was far below—international averages and medians for fatalities and infections.⁹⁸

These jurisdictions achieved these accomplishments without repressive or highly authoritarian methods. Of course, battling COVID-19 imposed significant burdens on citizens, including mandatory quarantines and travel limits, privacy-encroaching and high-tech surveillance, some involuntary detentions, and so on, but Taiwan, New Zealand, South Korea, and other non-authoritarian regimes did not engage in substantial and widespread departures from established liberal rights and norms. Especially in polities along China's periphery, public health institutions and policy mechanisms established or improved in the aftermath of SARS proved notably effective. Policy was science-based. Civil society organizations mobilized and cooperated with authorities. Citizens followed public health directives from governments that provided considerable transparency, logistical competence, and material support. Vietnam relied more on public mobilization and extensive surveillance, but it did not impose severe lockdowns, and observers credited its success to competent and trusted government, especially at the local level.⁹⁹

Such displays of competence inevitably made the Indo-Pacific's high achievers exemplars for study and imitation, including in the United States.¹⁰⁰ Success also created openings for their governments to seek international stature through COVID diplomacy. Taiwan is the most striking example—not surprisingly, given its chronically tenuous position in the face of pressure from Beijing. In her May 2020 inaugural address and 2021 New Year's speech, President Tsai Ing-wen presented Taiwan as a model of how to achieve “what the world is longing for: a normal lifestyle.” She noted how “Taiwan has amazed the international community,” “appeared in headlines around the world,” and “changed the way the international community views Taiwan” due to its “success in the fight against COVID-19,” along with its democratic elections. Speaking to an “international audience,” she remarked that “Taiwan has been proud to have worked alongside the international community” in combatting COVID-19 and to have “shown again and again that ‘Taiwan can help,’” (a reference to the high-profile #TaiwanCanHelp campaign).¹⁰¹ Presenting itself as “a good global citizen,” Taiwan provided millions of “made in Taiwan” masks and offered to share its pandemic-containment expertise with the WHO and other countries.¹⁰²

South Korea presented its response as a success in both public health and economic terms, pushed its “K-quarantine” as a global standard, and launched high-profile financial, material, and expertise assistance programs.¹⁰³ New Zealand's success through early aggressive action to “eliminate” the virus, and effective communication with the public, drew widespread international acclaim and study. Prime Minister Jacinda Adern offered then-President-elect Joe Biden access to New Zealand's senior public health officials to share her country's experience as the incoming U.S. administration devised plans to cope with the U.S.'s uncontained epidemic.¹⁰⁴

Finally, COVID-19 has underscored to a shaken world that some of the most serious international problems today and in the foreseeable future are not so amenable to solutions that rely on the distinctive assets of dominant powers—especially after the losses of prestige and reputation that the U.S., as well as China, have suffered.¹⁰⁵ Pandemics—like climate change, cyberthreats, terrorism, refugee flows, and other non-traditional security issues—present challenges and create crises for which hard-power-dependent and great power-led responses are often insufficient. Successful responses to many of the most serious challenges of our era are likely to require: learning from smaller states—including in the large and diverse Indo-Pacific region—that pursue innovative approaches or offer replicable models; and achieving cooperation and coordination among many states, rather than relying on solutions provided, or led, by one or a few powerful states. This shift seems to be reflected in a pair of recent events: the March 2021 call, from twenty-three countries (including Fiji and Indonesia, but not the U.S. or China) and the WHO, for a new multilateral treaty to address pandemics through greater transparency, global preparedness and cooperation, and equitable access to public health resources;¹⁰⁶ and the April 2021 Earth Day virtual summit hosted by Biden, and including Xi among dozens of national leaders from the Indo-Pacific and elsewhere, who pledged cooperative (if, by some measures, too modest) action on climate change.¹⁰⁷

Endnotes

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China, ASEAN, and the Covid-19 Pandemic

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For Southeast Asia, the COVID-19 pandemic was not only a public health crisis. It also provided an occasion for China to deepen its engagement in the region by dint of its own successful containment of the virus within its borders, and the resources it possessed to extend help to regional countries battling COVID-19 and its consequences, including economic, on their own shores. While Chinese help was welcomed, Southeast Asia also sought to avoid being beholden to any single external power. To that end, Southeast Asian states have actively pursued such diversification not only through efforts at reinforcing cooperation within ASEAN but also by using ASEAN as a vehicle to engage external powers.

At the end of 2019, Chinese health authorities reported a cluster of pneumonia cases that had emerged in Wuhan, in the province of Hubei, which eventually led to the confirmation of a novel coronavirus. Several weeks later in January, the pandemic struck Southeast Asian shores when the first case outside of China was detected in Thailand. Within a few months, the world found itself in the grip of a global pandemic. By the end of January 2021, there were more than 100 million recorded cases of the COVID-19 infection, with over two million deaths. While the fatality rates are lower than those of previous pandemics of the SARS (Severe Acute Respiratory Syndrome) strain, it has by far been the most infectious, prompting Singapore foreign minister Vivian Balakrishnan to opine that with the pandemic “we are facing a global life and death crisis which requires extraordinary measures.”¹

Threats posed by pandemics are not new to Southeast Asia. In the last two decades alone, the region had been beset by several transnational health crises, of which SARS and the H5N1 Avian Flu were arguably the most lethal. What is striking about the current climate, however, is the backdrop against which the pandemic is playing out: the COVID-19 pandemic has hastened the further bifurcation of an international order that was already threatening to come undone because of the intensification of Sino-U.S. rivalry and American withdrawal from multilateralism under Donald J. Trump. Southeast Asian states found themselves increasingly compelled to reassess their relationships with external powers. Taking the present pandemic as a point of entry, this paper considers its impact on Southeast Asia’s relations with China and the U.S.

The paper makes three main arguments. First, it contends that Sino-U.S. rivalry has sharpened over the COVID-19 pandemic by dint of the politicization of this public health crisis by both parties. Second, it argues that China has identified and seized upon opportunities presented by the pandemic to enhance its regional and global standing through continued support for multilateralism and economic engagement through initiatives such as the BRI, in turn creating favorable conditions for the advancement of its foreign policy interests. Conversely, because of the severe deficiencies in how the Trump administration handled the pandemic domestically, the Biden administration will have to prioritize its domestic challenges at the expense of greater bandwidth and resources for foreign policy, especially in Southeast Asia, a region that since the end of the Vietnam War has never featured prominently in Washington’s pursuit of its overseas interests. Third, it posits that while Southeast Asia has doubtless benefited from Chinese support during this crisis, the region remains skeptical of Chinese strategic intent and concerned about overreliance. States have tried to diversify relations with regional powers while strengthening cooperation within ASEAN. The paper first looks, by way of background, at how the pandemic emerged as

the latest arena of Sino-U.S. rivalry. It then explores how China has handled the pandemic domestically, where its success has allowed it to expand its influence as a putative provider of “global public goods.” In the interest of brevity, the paper then focuses on ASEAN by documenting collective regional efforts and strategies to navigate great power rivalry in the realm of global public health.

COVID-19 and the (Re)Framing of Sino-U.S. Rivalry

That the global order is currently undergoing momentous geopolitical and geo-economic tectonic shifts with potentially grave consequences is hardly a novel observation. Many have identified the changing distribution of power between the U.S. and China as the definitive dynamic that is shaping the world. The onset of the pandemic merely thrust public health to the fore as a new, “non-traditional security” arena in which the latest iteration of great power rivalry is playing out. Instead of hastening much-needed cooperation, issues regarding the origin, impact, and control of the pandemic have come to be politicized amid rising Sino-U.S. tensions. Unlike previous episodes of international public health crises such as SARS and Ebola, when Washington and Beijing managed to set aside the competition that had begun to define their relationship, and eschew zero-sum strategic logic in favor of the pursuit of mutual interests through bilateral cooperation, the pandemic has seen the ties between China and the U.S. spiral downward into an acrimonious blame game, with each propounding a different - and divergent - narrative on the origin of the virus. Not only has this worsened the bilateral relationship; it has also denied the international community leadership in a time of a global health crisis, delaying coordinated global responses to a transnational threat.

Guided by a national security strategy that identifies China as a rival and revisionist power, the Trump administration quickly seized upon the opportunity presented by revelations of a novel coronavirus outbreak in Wuhan, to discomfit Beijing, with the president himself pejoratively referring to the virus as “Kung Flu” and “the Coronavirus Chinese Virus.”² As the Chinese leadership sought to silence warnings about the potential severity of the new disease, U.S. officials took aim at these initial Chinese efforts to conceal information, calling into question the absence of transparency. This gained traction with domestic constituencies in the U.S., translating to historically high disapproval of China in American public opinion.³

The COVID-19 pandemic further hardened American resolve to pursue decoupling, as global manufacturing disruptions and medical equipment shortages in the U.S. highlighted the danger of overreliance on Chinese factories.⁴ These moves pose challenges for the Biden administration’s efforts to repair some of the damage in relations with China. Meanwhile, China swiftly hit back at U.S. claims with its own narrative on the virus predicated on: 1) consciously pushing back on claims that China had mismanaged the pandemic in its early stages; 2) playing up the failure of the Trump administration to contain the pandemic in the U.S.; 3) promoting China’s model of pandemic management and role as a provider of global public health goods through “mask diplomacy”; and 4) framing the origins of the virus as “yet undecided,” including alleging sabotage by the U.S.⁵

An unfortunate outcome of Sino-U.S. politicking over the pandemic has been the enervation of multilateralism. Already suspicious of multilateral initiatives, which it maintained were at odds with U.S. national interests captured in their “Make America Great Again” slogan, the Trump administration alleged Chinese infiltration of the World Health Organization (WHO) which resulted in the latter’s reluctance to label the pandemic a global emergency, halted its funding of the multilateral body, and eventually withdrew from the WHO. The withdrawal severely compromised not only the standing of the WHO, but also its ability to coordinate collective efforts to control the global spread of the pandemic. Sino-U.S. disagreements over the WHO even spilled over into the G-7, resulting in a last-minute cancellation of an online summit in April, and into the United Nations Security Council (UNSC), leading to a deadlock over the articulation of a COVID-19 ceasefire resolution. The deadlock was not broken until more than three months later, on July 1, when the UNSC managed to adopt the resolution.⁶ Similarly, the G-7 meeting in March 2020 failed to produce a joint declaration after the U.S. insisted on calling COVID-19 the “Wuhan virus.”⁷

To an extent, the flare-ups in Sino-U.S. relations over the pandemic can be attributed to the sense of insecurity that the prevailing circumstances created for their leaderships. Clearly, the Chinese Communist Party (CCP) leadership was concerned about its international reputation and also its domestic legitimacy, given that the authority of President Xi Jinping appeared to take a hit in the early weeks of the outbreak in China. It had become evident that this mishandled pandemic could materialize into the most serious challenge to the CCP’s standing and performance-based legitimacy since the Tiananmen incident of 1989.

Evidently, Xi learned of the outbreak as early as January 7, when he convened the Politburo Standing Committee to discuss how to respond and evidently made a request for control of the coronavirus epidemic situation.⁸ Curiously, despite his repeated instructions, Chinese officials resisted sounding the alarm for a public health emergency; nor did Xi cancel his planned state visit to Myanmar, which took place on January 17-18. The critical decision to wage an all-out war to contain the virus was not made until January 20, two days after he returned to Beijing. Xi’s absence from the front line during the first two weeks of the crisis—particularly his decision to send Premier Li Keqiang to the epicenter of the outbreak in Wuhan rather than making the visit himself—prompted questions about his leadership. The high point of the brewing legitimacy crisis was the case of Li Wenliang, the medical doctor and whistleblower widely seen by Chinese citizens (especially netizens) to have been unfairly persecuted for sounding the alarm about the novel coronavirus within medical and healthcare circles. In the course of treating patients of the virus, Li was himself infected, and his death on February 7 precipitated an explosion of protests on Chinese social media. Demonstrative of the resistance that Li personified, is the fact that a day before his passing, Weibo, had already witnessed 20 million searches (on his name), 540 million hits, and 730,000 discussion notes about his impending death. “#LiWenliangHasPassedAway” was the number one trending topic on Weibo, with 10 billion mentions within several hours of his passing February 7.⁹ His words of caution: “I think there should be more than one voice in a healthy society, and I don’t approve of using public power for excessive interference” not only resonated with a frightened and enraged public, but soon became a mantra in public political discourse.

There were other instances of strain on Xi and his leadership. On January 28, Xi informed visiting WHO Director-General, Tedros Adhanom Ghebreyesus, that he had taken personal charge of the anti-coronavirus operation. However, the next day, Xinhua News Agency suppressed this message and instead emphasized that the operation was being overseen by the collective efforts of the leadership. After January 29, Xi disappeared from public view for seven days. CCTV had no reports on his whereabouts. It reported on Xi chairing the PSC meeting on February 3, but the report had only the announcer reading the news and did not carry any footage of Xi or his colleagues at the meeting, as would normally be the case. Rumors about his physical and political health then started to spread. It was only on February 5 that Xi reappeared to receive a visit from Prime Minister Hun Sen of Cambodia.

For Xi, the timing of the coronavirus outbreak was unpropitious, given that his leadership was already straining from difficult challenges in terms of the Hong Kong protest, the Sino-U.S. trade dispute, and a rapidly deteriorating economic situation. Nevertheless, Beijing managed to steady the ship, bring the pandemic under control, and head off further domestic criticism. This turn of events was brought about not only through an unprecedented lockdown in Wuhan (announced on January 23) followed closely by the implementation of other draconian measures using the levers of state power, but also through a massive propaganda effort to shift the narrative. For example, Li Wenliang was included in the party's pantheon of heroes who contributed to the national fight against the coronavirus. The Wuhan local government was made to apologize publicly, and the governor of Hubei province was removed and replaced by Wang Xiaodong, a Xi loyalist. These moves proved consequential to placating public disaffection. By early March, COVID-19 cases in China started to gradually decline while cases in Europe and the U.S. exploded.

Trump took a defiant stance in the face of growing criticism of his administration's handling of the pandemic as seen in: 1) the position that whatever economic momentum had been generated by tax reform had to be maintained at all costs as Trump entered the cauldron of an election; 2) individual rights were to be prioritized over public health.¹⁰ At a more mundane level the president himself created confusion with contradictory statements even as he openly took issue with advice from members of the White House Coronavirus Task Force. For fear of the deleterious effect on the economy, the White House demurred over lockdowns, which inevitably caused infections to spike. While China adopted strict virus control measures augmented with advanced surveillance technologies, the COVID-19 response of the U.S. was bogged down by indecision, grandstanding, red tape, and infighting within the administration. For example, the White House dithered on a travel ban for Europe and rolled out faulty test kits while the president himself spread misinformation about the virus and its cure. Moreover, because COVID-19 infections were gathering pace as election campaigning was reaching its height., the traction that could be gained from a tougher line on China was not lost to either camp. No doubt, playing the China card on COVID-19 helped the Trump campaign secure some measure of domestic support, yet the Democrats were themselves not averse to saber-rattling in order to accrue political mileage: Democrat candidates called out Trump for his soft stance on China in the early weeks of the pandemic, with Biden criticizing Trump in a campaign video for praising China's efforts to contain the virus.¹¹

(Re)Shaping Public Health Discourse and Diplomacy

Initial popular misgivings soon gave way to an acknowledgement of—if not pride in—the efficacy of the Chinese approach.¹² In the eyes of its citizenry, the fact that the Chinese state was able to send medical resources across the vast country on short notice to deal with scattered outbreaks, or that it managed to control the spread of the virus internally through strict travel curbs with the help of surveillance technologies like facial recognition and QR codes, was compelling evidence that the Chinese model of centralized, authoritarian governance was best suited to ensure the health and safety of its population. It allowed China to craft a COVID-19 narrative that turned on the superiority of its social and political system even as it elided the question of the origins of the virus.

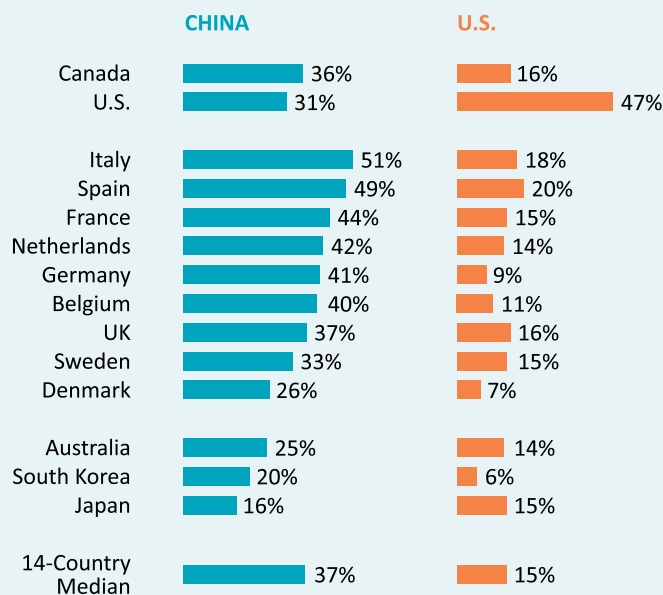
The battle between narratives and political systems gathered pace with the onset of competition over vaccine development. As the most scientifically advanced economy in the world, the U.S. invested more than \$12 billion in Operation Warp Speed to accelerate vaccine research and development.¹³ In keeping with its efforts to shift the global narrative away from origins to solution, and not to be outdone by the U.S., China also mobilized its considerable public and private resources in the vaccine push, to the point of even experimenting on military personnel and fostering military-private sector collaboration.¹⁴ Ironically, Chinese efforts to develop effective vaccines have been somewhat hampered by its success in controlling the pandemic. Vaccine development had to initiate offshore trials in countries such as Brazil and Indonesia since China itself no longer had sufficient cases for Stage Three tests. This prompted speculation about quid pro quo arrangements that might be struck between China and these countries, which would involve approval for trials in exchange for access to vaccines, and how these conditions would afford China a reservoir of political leverage.¹⁵ While Chinese vaccines may be using less sophisticated technologies, the conditions of vaccine diplomacy combined with the considerably lower cost and general satisfactory efficacy rates of its vaccines have allowed Beijing to secure significant market share especially in developing countries.¹⁶ Moreover, the fact that China joined the global vaccine sharing program COVAX last October, while the U.S. dragged its feet and signed up only this January, furthered the appeal that China may hold for some developing countries.

The success of its response to COVID-19 has facilitated economic recovery in China, and its recorded growth rate for a virus-ravaged 2020—2.3 percent—departed sharply from that of the other major economies of the world, all of which registered negative growth.¹⁷ Needless to say, this stellar economic performance has in turn positioned Beijing to assume a leadership role in the global effort to counter the COVID-19 pandemic, predicated on the mantra of “a global community of health for all,” while the U.S. remained mired in economic, public health, and political distress.¹⁸ According to statistics provided by the Chinese Ministry of Foreign Affairs, by the end of 2020 China had provided more than 220 billion masks, 2.25 billion sets of personal protective equipment, and 1.02 billion testing kits to other countries.¹⁹ In addition, China has dispatched 36 medical teams to 34 countries worldwide. Having joined the multilateral COVAX initiative fronted by the WHO in October

2020, China guaranteed provision of 10 million doses of vaccines to contribute to efforts to secure “fair and equitable access” to, vaccines especially for less affluent countries.²⁰ Even prior to confirming its contribution to COVAX, Chinese vaccines were already being rolled out in several developing countries.²¹ In the Middle East, the United Arab Emirates was the first country in the world to approve a Sinopharm vaccine, on December 9, 2020, while Bahrain followed suit on December 13.²² These moves were taken even before China authorized its own Sinopharm vaccine for domestic use, and were thereby telling not only of the level of trust that some Arab countries were prepared to place in the Chinese vaccine, but also the progress that Sino-Arab ties had made more broadly. The first batch of Chinese vaccines sent to Africa arrived in Equatorial Guinea on February 11, making good on a pledge by Xi Jinping guaranteeing vaccine accessibility for Africa at the special China-Africa Summit on COVID-19 last June.²³ Consequently, most advanced economies have rated China more positively than the U.S. on the question of pandemic management, according to a Pew research study (Figure 1).²⁴

Figure 1. Few Say the U.S. Handled the Pandemic Well in Countries Surveyed

% who say ___ has done a good job dealing with the coronavirus outbreak



Note: In Australia and Canada, question asked about “COVID-19.” In Japan, asked about “novel coronavirus.” In South Korea, asked about “Corona19.”

Source: Summer 2020 Global Attitudes Survey, Pew Research Center, Q10a, b, c.

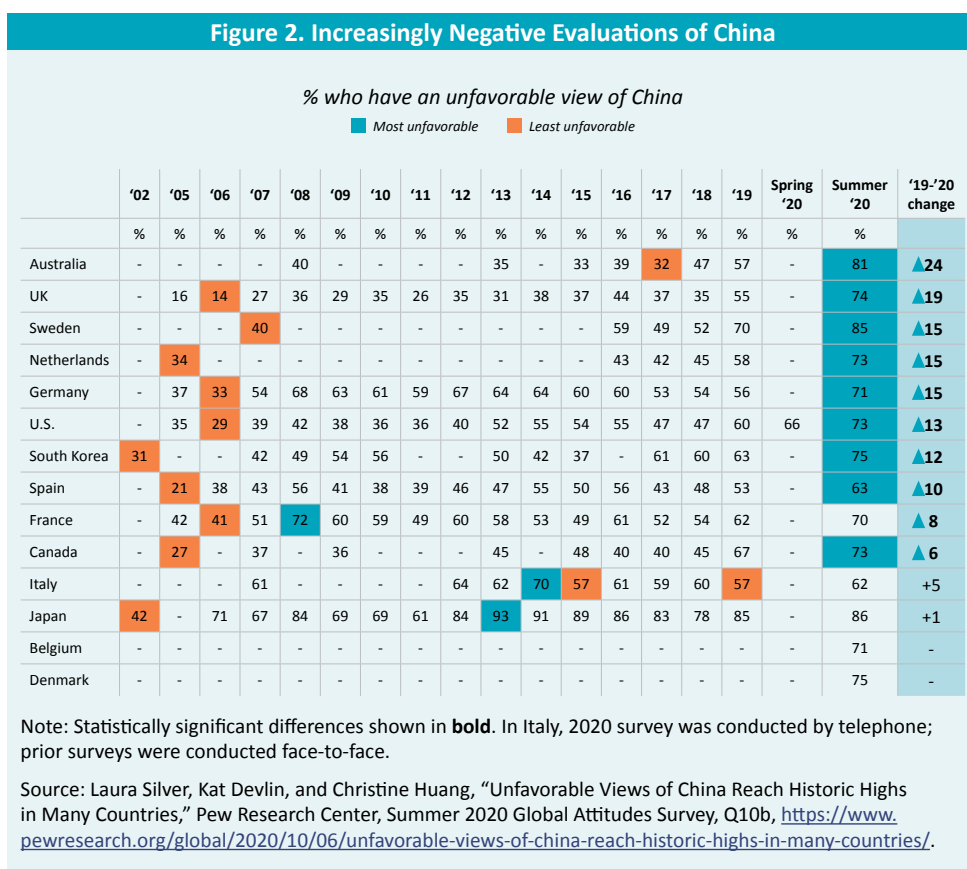
Chinese diplomatic activism during the pandemic period was not confined to vaccine diplomacy. Significant steps were taken in other areas as well: most notably, the conclusion of the RCEP (Regional Comprehensive Economic Partnership) on November 15, 2020 and the Comprehensive Investment Agreement with the EU on December 30, both of which reinforced prevailing views not only of Chinese economic heft, but its centrality to growth in the respective regions. In a move that surprised many, on November 20 China also expressed interest to join the CPTPP (Comprehensive and Progressive Trans-Pacific Partnership), the successor to the stillborn TPP (Trans-Pacific Partnership).²⁵ This period also witnessed Beijing's pledge to enhance its commitment to reduce carbon dioxide emissions by 2030, towards the objective of achieving carbon neutrality, as scheduled, by 2060, and to donate \$30 million to the WHO following the U.S. decision to suspend funding to the organization. These efforts juxtapose favorably against the unilateralism of the Trump administration.

China has sought to consolidate its strategic position while the U.S. was preoccupied with domestic politics, and the rest of the world was preoccupied with the COVID-19 pandemic. The CCP moved decisively to impose a controversial National Security Law on Hong Kong on June 30, while the PLA stepped up patrols and military exercises in the South China Sea, continued (if not increased) military activity around Taiwan, and clashed with the Indian military in the summer. There is precedent to Chinese foreign policy adventurism during periods of political transition in the U.S.: in December 2008, a month before the inauguration of President Barack Obama, Chinese vessels entered the Diaoyu/Senkaku waters, where they are, to this day, locked in a dispute with Japan. Just two days after the inauguration of President Joe Biden, Beijing passed a new Coast Guard Law to defend its maritime interests in the South and East China seas. The day after, Taiwan reported a large incursion by the PLA Air Force, which according to Chinese sources, was undertaken as a "solemn warning to external forces."²⁶

In considering the impetus behind these moves, several factors come into play. First, there was Chinese strategic opportunism at work, as the U.S. was consumed by a political crisis. Second, China projected an image of strength in response to not only international pressure to account for the origins of the virus, but also in response to domestic challenges in the form of early criticisms on the handling of the pandemic and the economic downturn it threatened. The legitimacy of the CCP is ultimately anchored on its ability to deliver economic growth, and leaders continue to harbor deep anxieties that external forces could exploit signs of weakness.²⁷ Third, China and the U.S. have been locked into a security dilemma escalating since the introduction of the Obama administration's "rebalance" strategy. Recent Chinese activities are, arguably, but an extension of the deepening structural rivalry between the two great powers, and Beijing's acute threat perceptions towards the American naval presence in its surrounding waters.

As much as China views COVID-19 as an opportunity to demonstrate global leadership and steal a march on U.S. regional engagement, doubts linger as to its intent. This comes as the U.S. relentlessly criticizes the refusal to acknowledge the origins of the pandemic or share more information on the early spread of the virus in Wuhan. This intransigence has cast a long

shadow over attempts to portray China as a benevolent global power prepared to provide global public goods, given the urgent need to uncover how a debilitating infectious disease such as COVID-19 could bring the global economy almost to a standstill. Further doubts have been occasioned by the conditions apparently attached to the COVID-19 related aid. When the European Union sounded caution towards the “politics of generosity” associated with Chinese aid, Huawei was instructed to freeze donations to several European countries, including Italy and the Netherlands.²⁹ As seen in Figure 2, a Pew Research Center survey indicated that negativity towards China had risen in 12 developed economies between 2019 and the summer of 2020.³⁰



A considerable number of states aligned themselves with the call from Australia and the European Union for a probe into the origin of the virus, among these Indonesia and Malaysia, and a collection of 47 African states. Despite initial vehement protests, the winds of international opinion eventually compelled China to agree with the resolution, though not without first reframing it away from the original Australian call for an independent inquiry.³¹ A WHO team subsequently arrived in Wuhan to begin the investigation on January 14, 2021.

The BRI Amidst the Pandemic

Much has been made of the BRI not only as a signature initiative of Xi Jinping but as a vehicle through which China may be seeking to advance its strategic interest as a global power.³² China has continued to push this flagship initiative despite disruptions caused by the pandemic, sometimes by coupling infrastructure investments with vaccine diplomacy.³³ According to statistics produced by the Commerce Ministry, Chinese non-financial direct investments in BRI countries reached \$17.79 billion, clocking an 18.3 percent year-on-year increase, in 2020. Meanwhile, the value of new BRI contracts amounted to \$141.46 billion in 2020, equivalent of a 8.7 percent year-on-year fall, and China's total FDI posted a 3.3 percent year-on-year increase to \$132.94 billion in 2020.³⁴ This was significant given that UNCTAD (United Nations Conference on Trade and Development) reported a significant decline in FDI globally from \$1.5 trillion in 2019 to an estimated \$859 billion in 2020, as the pandemic weighed on developed economies.³⁵ China also inked debt relief deals with 12 African countries in 2020, and participated in the G-20 debt suspension program while developing countries struggled with the economic fallout amid the pandemic. However, *The Wall Street Journal* reported last April that China was demanding collateral—including strategic state assets—in exchange for debt deferral or forgiveness.³⁶ Elsewhere, some stakeholders also lamented China's lack of transparency in fulfilling its debt relief promises.³⁷

While the datasets from the Commerce Ministry of China tell one story, other datasets outline another. Moody's Investors Service estimated that the value of Chinese-led new contracts and investments in BRI countries stood at \$23.5 billion in H1 2020, a far cry from the figure of \$104.7 billion recorded in 2019—a decline attributed to credit stress experienced by some BRI countries amid the pandemic.³⁸ Meanwhile according to the *China Global Investment Tracker* of the American Enterprise Institute (AEI), which collates investment and construction transactions worth \$95 million or more, Chinese investments in BRI countries amounted to \$26.14 billion in 2020, a sharp fall from the 2019 figure of \$86.91 billion. Even with contract values taken into account, Chinese funding would reach only \$63.41 billion in 2020, trailing far behind the 2019 figure of \$159.28 billion.³⁹ The report further argued that the decline predated the pandemic: it was prompted by Beijing's tightening of control of outbound investments and growing reservations towards Chinese intentions on the part of potential recipient countries which have worsened amid the pandemic, and increasingly vocal anti-China sentiments being articulated in the West.

While the data from China may be debated, it remains that China has doubled down on its commitment to the BRI even as global FDI diminished in the wake of the pandemic, and China itself has become more conservative on foreign investments under the dual circulation strategy. Beijing has attempted to balance the need for economic prudence with the strategic imperative of global leadership; e.g., “green development” has become a priority in infrastructure construction, with Foreign Minister Wang Yi pledging to strengthen the BRI International Green Development Coalition (BRIGC), the BRI Green Investment Principles, and the BRI Green Investment Fund.⁴⁰ Moreover, the BRI is set to adopt eco-classification standards soon, as recommended by the BRIGC. Moody's has also observed that the BRI has become greener, with renewables accounting for around 58 percent of new BRI contract values in H1 2020, up from 18.5 percent when projects began in 2014.⁴¹ This trend parallels that which has been identified by the AEI database, where BRI green energy projects have grown its share of overall energy investments from 2.03 percent

in 2019 to 10.47 percent in 2020.⁴² The green focus of the BRI has been consistent with pledges from Xi Jinping in 2019 and 2020 to make the BRI more sustainable and to achieve carbon neutrality by 2060. This comes as China showcased green development—including green finance and green buildings—in its 14th Five Year Plan.⁴³ The BRI has also begun emphasizing the “Digital Silk Road” (DSR) initiative launched in 2015, and the “Health Silk Road” (HSR) project officially introduced in 2017. This comes as COVID-19 has exposed gaps in global healthcare and communications infrastructure.

First termed the “Information Silk Road,” the DSR refers to the building of optical cable and satellite networks to facilitate information exchange and cooperation. The concept grew to encompass: digital infrastructure investment such as data centers, cross-border fiber optic cables via the China-ASEAN Information Harbor, development of advanced technologies such as artificial intelligence and quantum computing, e-commerce and its promotion through digital free trade zones, and the establishment of global standards for telecommunications and cyber-sovereignty through multilateral platforms. This digital dimension, in particular, was identified as “a priority area for BRI cooperation in the next stage” in a speech by Wang Yi last December, and comes as China introduced the Global Initiative on Data Security last September to counter the U.S. attacks on its data security platforms.⁴⁴ The DSR is to be boosted by the HSR, which taps the BRI to coordinate public health policy cooperation via information sharing and medical assistance. Even before the pandemic, China was already making progress on the HSR through regional forums with ASEAN (with which it implemented a China-ASEAN Human Resources Training Programme on the Health Silk Road), Central and Eastern Europe, and the Arab world. The pandemic has hastened the relevance of the HSR, and Beijing has not hesitated to showcase the full measure of its advanced technologies for public health purposes during a pandemic.

Implementation of the DSR and HDR will not be devoid of challenges. The strict control of information flows that exists in China, for one, is at odds with the importance of accessibility of data, which is the *sine qua non* of digital transactions in the information age. In fact, Chinese technology companies are already facing scrutiny abroad amid Sino-U.S. tensions even as the U.S. is offering alternative products like its Digital Connectivity and Cybersecurity Partnership to regional countries. Nor is the HSR immune to geopolitical competition. In order to head off China’s growing influence in Southeast Asia, amidst the pandemic, the Trump administration launched the U.S.-ASEAN Health Futures Initiative last April, and the Biden administration can be expected to continue, if not augment, American commitment under its banner.⁴⁵

Pandemic Diplomacy in Southeast Asia

The infectious nature of the disease, geographical proximity, and the depth of its people-to-people links with China contrived to render Southeast Asia especially vulnerable to the novel coronavirus when it was first discovered in Wuhan. It was hardly surprising that the first confirmed case detected outside of China was in Thailand. Within three days of China informing the WHO that the disease had surfaced within its borders, the ASEAN Secretariat Health Division alerted senior health officials in member states to the outbreak. The fact that regional leaders swiftly pledged to keep ASEAN open, to facilitate flows of goods, to reduce disruptions to the regional supply chain, and to exchange timely information and best

practices, suggested the primacy of economic considerations.⁴⁶ The ASEAN Coordinating Council Working Group on Public Health Emergencies convened in March and was tasked to supervise regional efforts to combat the virus, including the COVID-19 ASEAN Response Fund (approved in April), the ASEAN Regional Reserve of Medical Supplies for Public Health Emergencies (launched last November), and the Japanese-supported ASEAN Centre for Public Health Emergencies and Emerging Diseases, which was established last November with guidance from the ASEAN Strategic Framework for Public Health Emergencies.

ASEAN economic ministers further adopted the Hanoi Plan of Action on *Strengthening ASEAN Economic Cooperation and Supply Chain Connectivity in Response to the COVID-19 Pandemic* last June, in a bid to protect the free flow of essential goods—especially medical goods and food supplies—and to keep critical infrastructure and trading routes open.⁴⁷ Meanwhile, ASEAN ministries of agriculture and trade have leveraged the ASEAN Food Security Information System and ASEAN+3 Emergency Rice Reserve to ensure sufficient food supplies even as the pandemic gathers pace and disrupts regional supply chains.⁴⁸ Information sharing was facilitated by the ASEAN Emergency Operations Centre Network, the ASEAN Bio-Diaspora Regional Virtual Centre, and the ASEAN+3 Field Epidemiology Training Network, providing regional governments with timely data and guidance to guard against misinformation and enable appropriate measures to be undertaken.⁴⁹

As an intergovernmental organization rather than a supranational body, ASEAN does recognize its policy and resource limitations and has reached out to dialogue partners for support. The most important of such outreach initiatives was the Special ASEAN+3 Summit with China, Japan, and South Korea, which convened on April 14, 2020, where all parties agreed to work together in order to promote regional multi-sector cooperation in health, foreign affairs, and tourism.⁵⁰ As early as February 20, when China was still dealing with its domestic outbreak and the region was only beginning to see its first COVID-19 cases, Wang Yi met with his ASEAN counterparts in Laos in the organization's first COVID-19 summit with an external power. The conference expressed “full confidence” in China's ability to handle the crisis and pledged to step up cooperation under the ASEAN-China Health Ministers Meeting and the ASEAN-China Senior Officials Meeting on Health Development.⁵¹ At the time, this was a significant goodwill gesture to China as it faced international backlash for its handling of the epidemic. To that end, even though China may not have been pleased with the fact that some Southeast Asian countries were imposing travel restrictions on travelers from the Chinese mainland, it was recognized that the wording in the statement from the meeting, which articulated the desire of both parties to “resume normal people-to-people exchanges and practical cooperation at an early date,” was noticeably less harsh compared to the views that were being expressed by the Trump administration, calling for the evacuation of personnel from its consulate in Wuhan and the imposition of an outright travel ban on Chinese travelers.⁵² The economic exigencies posed by the pandemic also catalyzed deeper economic cooperation between China and ASEAN. Economic ministers met on May 29 and renewed their commitment to the implementation of the ASEAN-China Free Trade Agreement.⁵³ Both sides also launched the ASEAN-China Year of Digital Economy Cooperation in June, which covered areas such as smart cities, big data, and artificial intelligence, all of which dovetailed with China's Digital Silk Road initiative discussed above.⁵⁴ With regards to connectivity, ASEAN and Chinese transport ministers promised to enhance cooperation in transport and logistics.⁵⁵

As COVID-19 infections surged in the region, China moved swiftly to extend support. Cambodia and the Philippines were the first ASEAN member states to receive Chinese assistance in the form of test kits, surgical masks, protective suits, and ventilators, not least because of their close ties with China. With senior U.S. officials minimally engaged in the region owing to their own preoccupation with the pandemic and acrimonious domestic politics, the Chinese foreign minister visited Cambodia, Malaysia, Laos, Thailand, and Singapore last October, and visited Myanmar, Indonesia, Brunei, and the Philippines ahead of Biden’s inauguration this January. Meanwhile, China aggressively promoted its COVID-19 vaccines and the BRI, both of which would be central to the efforts of regional states to jumpstart their virus-battered economy.⁵⁶ For example, Wang Yi promised to donate 300,000 vaccine shots to Myanmar during his visit, one day after both sides planned to conduct a feasibility study on a railway which would offer China direct access to the Indian Ocean.⁵⁷ Wang Yi also promised the Philippines 500,000 doses along with \$1.34 billion in loans and \$77 million in grants for infrastructure projects.⁵⁸ In July, Beijing promised Manila priority access to the vaccine the day after President Rodrigo Duterte said he “made a plea” to Xi and recognized that Beijing was “in possession” of the disputed South China Sea.⁵⁹

Nor did equivocal efficacy results from tests on the Sinovac vaccine deter Southeast Asian countries—including Singapore, Malaysia, and Indonesia—from placing early orders in large quantities.⁶⁰ China was especially enthusiastic about engaging Indonesia on vaccine partnership, where it was prepared to supply generous quantities of vaccines in exchange for access to a sufficiently large caseload for efficacy tests, and presumably, more muted responses by Jakarta to the presence of Chinese coastguard vessels in the disputed waters of the South China Sea.⁶¹ Chinese leaders made clear that Southeast Asia was to be an important beneficiary of mask and vaccine diplomacy, and that China was prepared to “respond with no delay to reciprocate acts of friendship and kindness from ASEAN.”⁶² At the China-ASEAN Summit in November, Li Keqiang reinforced the cordial and cooperative state of play in Sino-ASEAN relations by highlighting the gratitude shown by ASEAN for the “contributions to their fight against COVID-19” made by China, and their receptiveness to Chinese vaccines as a “global public good.”⁶³ Later that month during the China-ASEAN Expo and China-ASEAN Business and Investment Summit, Xi Jinping promised to “actively consider the needs of ASEAN countries” when the vaccine becomes available, to contribute to the response fund and the medical supplies reserve, to launch a Liaison Mechanism for Public Health Emergencies with ASEAN, and to implement the China-ASEAN Human Resources Training Programme of Health Silk Road.⁶⁴

Though China may have exaggerated the extent of gratitude, Chinese gestures were in all likelihood agreeably received in Southeast Asia. The ASEAN Chairman’s Statement released at the conclusion of the September Post-Ministerial Conference with China stated that the association welcomes and looks forward to China’s donations to the response fund and the medical supplies reserve and that it welcomes support from China as the region recovers from COVID-19.⁶⁵ A survey by the ISEAS-Yusof Ishak Institute conducted from November 18, 2020, to January 10, 2021, also found that the ASEAN public selected China (44.2 percent) as the most helpful external power during COVID-19, followed some distance behind by Japan (18.2 percent) and the European Union (10.3 percent).⁶⁶ Given its strong economic rebound and the fact that Southeast Asia remains cardinal to Chinese interests, Beijing is expected to expand its presence in the region through the vehicles of public health and economic recovery.

Southeast Asia is acutely aware of the downsides of excessive reliance on China, whether for support during the pandemic or to confront the anticipated challenges of economic recovery after.⁶⁷ Despite an intensive diplomatic push on the back of COVID-19 health emergencies on the part of China, the survey conducted by the ISEAS-Yusof Ishak Institute pointed out the reality that more Southeast Asians indicated they would prefer the U.S. if forced to choose between the two superpowers, up from 53.6 percent in 2020 to 61.5 percent in 2021, while China's share dropped from 46.4 percent to 38.5 percent. The same survey found that concern for Chinese political-strategic influence increased from 85.4 percent in 2020 to 88.6 percent in 2021, while concerns with China's economic clout inched up from 71.9 percent in 2020 to 72.3 percent in 2021. Equally striking was the fact that 46.3 percent of the respondents were of the view that China is a revisionist power intent on turning the region into its sphere of influence, up from 38.2 percent last year.⁶⁸

Notwithstanding the preoccupation of the U.S. administration with domestic crises, ASEAN persisted in efforts to engage Washington as part of its strategy of maintaining equidistance from the two great powers.⁶⁹ A virtual meeting was convened with Secretary of State Mike Pompeo on April 23, followed by a meeting between health ministers a week later. The U.S. also launched the U.S.-ASEAN Health Futures Initiative that was envisaged to facilitate research, improve health system capacities, and develop human capital.⁷⁰ Flowing from this initiative was the establishment of the US-ASEAN Infection, Prevention, and Control Task Force to the tune of more than \$2.5 million.⁷¹ The U.S. further introduced a health component to the U.S.-ASEAN Smart Cities Partnership, formed in 2018, and earmarked \$1.5 million to support the development of an ASEAN Public Health Emergency Coordination System to help the association respond better to future crises. As of September 9, the U.S. had allocated more than \$87 million to assist ASEAN's COVID-19 responses, mostly covering the training of medical workers, technical expert visits, and health system enhancement, since the U.S. priorities did not permit the export of medical equipment overseas in large quantities.

Significantly, Southeast Asia has also sought to engage other regional powers in its efforts to battle the pandemic while avoiding overreliance on a single power for support. Japan has provided medical supplies and equipment, pledged \$50 million for the ASEAN Centre for Public Health Emergencies and Emerging Diseases, and contributed \$1 million for the ASEAN Response Fund.⁷² Japan and ASEAN adopted an economic resilience action plan in April and upgraded the ASEAN-Japan Comprehensive Economic Partnership in August to help boost bilateral trade and investments. The new prime minister, Suga Yoshihide, picked Southeast Asia for his first overseas tour, where he advocated for the Free and Open Indo-Pacific concept, underlining the importance of the region to Japan. South Korea also weighed in to Southeast Asian efforts against COVID-19 by providing medical supplies, donating to the ASEAN Respond Fund, and committing \$5 million to enhance ASEAN COVID-19 detection capacity.⁷³

ASEAN has also engaged the European Union and Australia. The EU has committed €800 million to help ASEAN bolster its COVID-19 response capacity, more than what either China or the U.S. has contributed, as they upgraded relations with the association from dialogue partnership to strategic partnership as part of the EU's efforts to articulate an

Indo-Pacific strategy.⁷⁴ Australia has similarly pledged AU\$1 million to the ASEAN Respond Fund, AU\$21 million to the ASEAN Centre for Public Health Emergencies and Emerging Diseases, and AU\$23 million to fund a new ASEAN-Australia Health Security Initiative to prevent and mitigate future pandemics.⁷⁵ It has also articulated support for a new five-year ASEAN-Australia Political-Security Partnership covering maritime, cybersecurity, and other risks for regional stability amid the pandemic. In September, Australia announced the rollout of an AU\$60 million initiative to monitor wastewater for traces of COVID-19 in the Mekong region, but which would also support other activities that would advance economic integration and digital connectivity with ASEAN.⁷⁶

Conclusion

The COVID-19 pandemic poses significant challenges to humanity, threatening the lives and health of citizens of nearly every country in the world. But the challenges have not been confined to public health and well-being. Indeed, in keeping with the pattern of contemporary geopolitics and relations between the two great powers of the day, COVID-19 became yet another arena for facets of Sino-U.S. rivalry to be played out. Both powers were swift to engage in a blame-game, even as they proved considerably slower in taking necessary measures to curb the spread of the virus (although this could also be attributed to the medical community's lack of familiarity with and understanding of the novel coronavirus in its early days), let alone in setting aside differences to lead global efforts to contain it. For the states of Southeast Asia, a region that lies at the geographical and strategic crossroads of major external powers, adjusting to this rivalry as it manifested against the backdrop of the pandemic without compromising autonomy, has been a priority.

For Southeast Asia, COVID-19 drove home the stark reality of the need to balance growing disquiet with Chinese assertiveness—at times, aggression—with the need to maintain, if not deepen, economic and political ties with Beijing. Clearly, China has succeeded in its battle against the COVID-19 pandemic within its borders. Concomitantly, this success has injected added impetus and provided a platform for it to pursue its foreign policy objectives, which it has done through the provision of medical supplies and vaccine diplomacy, together with continued economic engagement, particularly with states struggling to control the pandemic and its effects. Many Southeast Asian states continue to nurse misgivings toward growing Chinese assertiveness in the region, and these sentiments show no signs of abating despite Chinese assistance in this time of need. This ambivalence is not entirely surprising given China's persistence in asserting its territorial claims in the South China Sea, its exercise of geopolitical dominance of the Mekong region, its display of foreign policy adventurism elsewhere in Asia (including the use of coercion), and its tendency to dangle the tantalizing prospect of development in exchange for some degree of foreign policy alignment, especially towards Southeast Asian states that have already shown a predisposition to such tactics. These misgivings have arguably been exacerbated by the uncertainties surrounding the future of American engagement in the region. Reeling from their own struggles with the pandemic, not to mention the dire state of its domestic politics, it remains to be seen if the U.S. will have the bandwidth to play the larger role in regional affairs that Southeast Asian states are hoping for.

The exercise of agency and autonomy through the diversification of strategic engagements has proven a vital element of regional diplomacy. In response to the pandemic, Southeast Asian states have actively pursued such diversification not only through efforts at reinforcing cooperation within ASEAN but also by using ASEAN as a vehicle to engage external powers. This has been expressed in the form of a range of agreements signed with their dialogue partners that serve the goal of not only procuring much-needed aid and support for the public health crises in the region, but also the goal of clearly demonstrating that the region is not prepared to be beholden to any one major power.

Endnotes

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How COVID-19 Has Affected the Geopolitics of Korea

Woo Jung Yeop

COVID-19 has not gone away, and observers are now discussing possible long-term effects of the pandemic, including on geopolitics. A report by the European Parliament discussed five COVID-generated factors that could impact the geopolitical environment, i.e., supply chains, health multilateralism, digital diplomacy, climate change, and democratic activism. It predicted a reshuffling of value chains, where cooperation within the same “bloc” would be strengthened, while states continue their reshoring efforts, consequently shifting the current geopolitical environment. The report pointed out that the pandemic necessitated thorough scientific cooperation and information sharing beyond the level that the WHO had initially offered, suggesting changes in patterns of behavior, as in adapting to digital platforms while opening opportunities for nations to counter climate change and strengthen their geopolitical positions. Moreover, it also looked at the number of protests resulting from the pandemic and its economic effects and suggested that such pressure would encourage governments to mollify inequality. Missing is optimism that countries will be stirred to pursue common interests. Missing too is the geopolitical fallout from acutely worsening Sino-U.S. relations, as in South Korea, which stands at the forefront of states facing pressure from both sides.

With the unforeseen disruption in both global and domestic economies, much attention has been paid to the effect of COVID-19 on the economic side rather than the political side, perhaps because many did not expect that the pandemic would last this long. However, recent disruptions are clearly rife with serious political implications, both domestically and globally. Above all, as seen from Seoul, their impact on the relationship between Beijing and Washington demonstrated how much the economic forces could spill into geopolitics. Koreans follow this impact attentively, realizing that worsening Sino-U.S. ties may reverberate on one or both powers, increasing pressure on Seoul’s efforts to sustain a precarious balance for the sake of its North Korean policy and its hope for regional stability.

Many nations in the Indo-Pacific have recently struggled between the United States and China, trying to find the most advantageous equilibrium between security and economy. South Korea has uniquely stood on the frontlines, as in 2016-17 when it bowed to the U.S. and deployed the Terminal High Altitude Area Defense (THAAD) missile defense targeting North Korea, which was met with strong Chinese pressure—strict economic sanctions through unofficial channels and demands to promise the “three noes” that restricted further missile defense deployment to deescalate the tension. President Biden’s new measures to bridge security and economy through multilateralism call for Seoul to choose between acceding to U.S. requests or risking China’s threats to respond aggressively—even as some anti-THAAD sanctions remain in place. President Xi Jinping’s warnings point to China’s harsh response.

South Korean concerns have grown because of the relationship between the current global supply chains and geopolitics, which is a preoccupation of the Biden administration. Situated at the juncture of supply networks centering around China, South Korea’s economy is almost certain to be heavily hit. Furthermore, the pandemic brought ongoing pressures for de-globalization and de-dollarization to the forefront with major ramifications for Seoul. Much of the anxiety has focused on the geopolitics of deteriorating relations between Beijing and Washington. The former is warning Seoul against joining the Quad, agreeing to trilateralism with Japan and the U.S., and tilting the balance away from China in the

Sino-U.S.-ROK triangle. Meanwhile, the Biden administration, even before it clarifies its regional strategy, is nudging Seoul in precisely the opposite direction. The year 2020 raised challenging issues for Seoul, which loom in 2021 as more severe geopolitical tests for the Moon administration.

To properly gauge the effect of COVID-19 on South Korea's geopolitics, it is crucial to understand the world before the pandemic. Has COVID-19 functioned as an independent variable in South Korean geopolitics? If there is a discernable difference, we have to see whether that difference was caused by COVID-19. This paper proceeds in four parts: 1) outlining the pre-pandemic status quo up until 2020; 2) assessing how COVID-19 affected international geopolitics; 3) examining how it influenced South Korea's supply chain and geopolitics; and 4) analyzing ongoing discourse on South Korea's strategic choice amid the U.S.-China rivalry. These sections are followed by brief conclusions on implications for policy choices.

Pre-pandemic Status Quo

Global

Globalization faces a crisis from the retreat of democracy, de-globalization, and the U.S.-China rivalry. Some attribute the crisis to China's growing assault on the liberal international order since at least 2008, accelerating with Xi Jinping's ascent to power in 2012. Others attribute it to the election of Donald Trump in 2016, but the retreat of democracy began even before his presidency. Still others point to domestic pressure arising from inequalities and economic stagnation.¹ With "new authoritarianism" appearing in Hungary, Poland, the Philippines, and Turkey, the world has seen "would-be autocrats" emerging from democratic systems.² "Already before the COVID-19 pandemic, democracy worldwide had been under severe stress, with overall global democracy scores displaying negative trends for the last 10 years."³

Along with the retreat of democracy, nations also started to de-globalize before the pandemic. From Brexit to Trump's America First policy, nations joined the march of nationalist movements, and the global community started to question the role of China in the global economy.⁴ Moreover, as the division between the China-bloc and the U.S.-bloc became more apparent, many countries had to deal with their own domestic discontent against multinationalism. This great power competition between the U.S. and China created a geopolitical environment that resembled the Cold War. China's ambitions were highlighted by the Belt and Road Initiative (BRI), designed to increase China's geopolitical clout and build dependency on Chinese investments, China invested in an Anti-Access Denial (A2/AD) strategy to stymie the projection of American military power into East Asia, eventually pushing it out of Asia.⁵ Such a rivalry creates a dilemma for nations such as South Korea even if the U.S. government has never directly forced South Korea to choose a side.⁶ The relationship between the U.S. and China has been deteriorating since before the pandemic, and COVID-19 worsened the situation. With China hiding the origins of COVID-19 and not being transparent, negative perceptions of China within the U.S. (and South Korea too) were only reinforced.

Korea

Even before the pandemic, South Korea had been caught in a dilemma between China and the U.S. Sino-Korean relations have been deteriorating since the 2016 THAAD deployment and subsequent sanctions. South Korea has often been called a “shrimp among whales” and has been reluctant to choose sides lest it jeopardizes its power, economy, and future unification. The ongoing strategic competition between Washington and Beijing has reduced the space within which it can hedge and is instead pressuring the peninsula to side with either nation.

Victor Cha argued that Korea, caught between its security patron and its giant neighbor, will be increasingly forced to choose between the two in ways that are detrimental to the longstanding alliance.⁷ Choosing one or the other is difficult because of three dilemmas that Korea faces: power dilemma, economic dilemma, and unification dilemma. Also, Abraham Denmark pointed out that the geopolitical competition between China and the United States has profound implications for the Indo-Pacific generally, and for the Korean Peninsula in particular. While Washington blames China for North Korea’s lack of progress toward denuclearization and sees China orchestrating persistent challenges on the Korean Peninsula, China accuses the U.S. of hurting Chinese interests in the region, even when the U.S. engages in a completely justified reaction to North Korean belligerence that does nothing to impact Chinese interests.⁸ This has put South Korea—which seeks positive relations with China while also maintaining a robust alliance with the U.S.—in an uncomfortable position.

South Korea has found itself in the awkward situation of relying on the U.S. as its security ally and China as its top trading partner.⁹ Due to its long history of being a proxy battlefield, it is acutely aware that the competition ahead will be even more consequential to its territory than in other key U.S. allies, Japan and Australia. Moon’s administration has remained deliberately ambivalent as to its geopolitical commitments, unwilling to openly side with either nation. Ji-Young Lee explained South Korea’s indecisiveness in terms of four factors: North Korea, the domestic divide between progressives and conservatives, economic interests, and Korean identity.¹⁰

South Korea has been reluctant to endorse U.S. policy in fear of undermining its relations with China. For example, in 2017, Moon Jae-in was disinclined to back Trump’s “Free and Open Indo-Pacific” initiative. Kim Hyun-chul, a presidential aide, made it clear that Moon did not agree to the country’s participation in the FOIP. Kyle Ferrier laid out two possible explanations: South Korea’s economic dependence on China through trade; and Seoul not looking to rock the boat because of China’s close ties with North Korea.¹¹ Andrew Yeo also pointed out that with a hard lesson learned from the Chinese retaliation against THAAD deployment in 2017, Seoul felt burdened to actively join FOIP. To avoid antagonizing Beijing and to diversify its economic and strategic options, the Moon government launched its New Southern Policy (NSP) to boost ties with ASEAN’s ten member countries and India.¹²

Possible Changes Caused by COVID-19 at the Global Level

Though COVID-19 may not have fundamentally changed the global order, it exacerbated the existing tensions. Because the pandemic began while the tensions between the U.S. and China were rising, it was inevitable that the virus that originated from Wuhan, China, would only elevate the tension. The pandemic also revealed the vulnerability of the existing supply chain and liberal international order, causing nations to de-globalize.¹³ Regarding the intensified rivalry since the pandemic began, Park provided two scenarios. On the one hand, if the pandemic were to end soon with a cure or vaccine, the competition would stiffen and, consequently, the world would enter an era of Neo-Cold War. China would continue expanding its military power and the U.S. would try to throw China off sooner than later. On the other hand, if the pandemic continued until late 2023, the world would experience another global depression causing economic nationalism to gain a greater voice in almost every country. Most nations would lose faith in globalization, and strict reciprocal relationships would, instead, prevail. Subsequently, there would be a rise of multipolarity in the global environment as the U.S. and China would want to decrease their own costly role.¹⁴

The pandemic caused trade volumes to decrease (partially because of tighter inspections), and factories to cease operations. This deterioration of the global supply chain pressured leaders to find solutions domestically. COVID-19 also underscored the inefficiencies prevalent within the international institutions, especially in the beginning of the spread, as the WHO proved incompetent in handling the crisis, undermining confidence in global governance in general.¹⁵

Although the pandemic only showed the importance of international cooperation, especially in terms of global health management, the world is moving in the opposite direction. De-globalization and digitalization have affected the way of life for many nations, shifting the structure of the global production chain. Sang-Hwan Lee finds a Neo-Cold War likely as the U.S. and China have already started creating a digital iron curtain.¹⁶ The U.S. has launched a war in global standards by excluding China on security grounds, hampering China's ability to participate in the global competition if it wants to enter markets aligned with the U.S. This could be a step towards hegemonic competition between the two and between the global north and global south.

Possible Changes Caused by COVID-19 in Korea

There are two possible ways that COVID-19 might have affected South Korean geopolitics: 1) by directly disrupting the global supply chain and Korean economic structure; and 2) by forcing a change in strategic calculations in the short run or long run, perhaps as an indirect effect of changes in China or the U.S.' geopolitical calculations. Even so, South Korea may cling to its past positions.

Supply Chains and Geopolitics

Disruption of the global supply chain could be serious for South Korea, as its economy heavily depends on trade. As is often argued, the pandemic has caused more problems for states heavily linked to the global production chain; and South Korea is one.¹⁷ This disruption of the supply chain depends on the number of countries that adopt restrictions, and it worsens the longer the restrictive measures and lockdowns stay in effect.¹⁸ Accordingly, South Korea experienced a 10.3 percent contraction in its exports and 5.4 percent contraction in imports. The European Parliament (2020) notes a disruption in the supply chain, especially in the sectors of electronics, computing, textile manufacturing, and certain medical supplies produced in China and India. It notes that the recent outbreak not only was a sign that the existing supply chain is vulnerable to external shocks but also that some of these products could be utilized strategically, and therefore have an impact on geopolitics.¹⁹ For instance, Biden, painfully aware of the global shortage of semiconductors and U.S. reliance on Chinese and Taiwanese manufacturers, on February 24, 2021, signed an executive order to review and improve U.S. supply chains of not only semiconductors but also of batteries and minerals.²⁰ The message was clear: if companies fail to improve the resilience of their supply chains, nations will find it increasingly challenging to adapt to the post-pandemic world.²¹

The pandemic could cause nations sharing the same values to create their own block in order to safeguard themselves from another unforeseen crisis. In other words, nations under the influence of the Chinese BRI might have difficulty entering certain markets. The environment encouraged nations to devise measures to rescue a failing economy. For example, Finland, like other globalized nations, placed itself at the upper part of the value chain while outsourcing manufacturing. When the outbreak started to affect the country, the government became the “last resort” to initiate various financial packages.²² However, countermeasures are not always successful. For example, the South Korean government’s efforts to encourage firms to re-shore production back home through benefits and subsidies have yet to produce meaningful results.²³ It is argued that countries have become overly dependent on Chinese production, making supply chains very vulnerable and leading to policy interventions intended to reconfigure supply chains.²⁴ However, it is unclear how COVID-19 has affected the geopolitical strategy of South Korea. That is why we need a lens through which we can analyze the effects of COVID-19 on its geopolitics, especially in terms of the U.S.-China rivalry.

Chinese Pressure on South Korea

Historically, China has exerted the full wrath of its economic power when Sino-Korean relations have soured. Most recently, China has threatened to retaliate against South Korea if its companies choose to comply with the U.S. ban on Huawei. Yet, the novel pandemic presents somewhat of a paradigm shift in that the South Korean public’s view of China has significantly deteriorated, making it difficult for the South Korean government to implement pro-Chinese policies. In order to endure a U.S. offensive, China has intensified its pressure tactics against South Korea. In an attempt to dissuade South Korea from strengthening its bilateral relations with the U.S., China has been luring Korea with close trading ties.²⁵ Unable to procure technology from the U.S., China has begun outsourcing from Korea and Japan in order to facilitate interregional development and, perhaps more importantly,

increase the two nation's dependence on the Chinese market. To further this strategy, China has been striving for the normalization of relations between Japan and South Korea through a three-way FTA.²⁶

There has been no shortage of Chinese warnings about possible retaliation if Seoul were to cross one or more of a myriad of putative red lines. A few were formalized when Moon agreed to Xi's "three noes" as conditions for getting beyond the impasse over THAAD and China's retaliation for it. Others have been asserted directly or indirectly. The overall theme is that tilting to the United States on security or technology related to security is unacceptable. This applies to missile defense, trilateralism with Japan, Taiwan and South China Sea policies, the Quad, internal Chinese human rights issues including Hong Kong, and even North Korea policy if it veers more toward sanctions and deterrence. Roh Moo-hyun is held up as the one president who came closest to the ideal. Conservative presidents are faulted for straying the farthest from it. China's demands have intensified; so, what was tolerated some years ago is no longer acceptable. Clearly, China is watching carefully how the Moon administration will respond to the Biden administration, especially after the U.S. security review is completed.

U.S. Pressure on South Korea

The U.S. recognizes that countering China will be difficult due to the fact that China has adopted a market economy and maintained staggering growth rates. It aims to check Chinese expansion together with its allies and partners by advancing common interests in politics, economy, and technology. As laid out in the 2019 Indo-Pacific Strategy published by the Department of Defense, the U.S. made clear its intent to share security costs and responsibilities with key allies.²⁷ The Biden administration has further pressured China by strengthening ties with Japan, India, and Australia through the Quadrilateral Security Dialogue, while exploring a more expansive framework for Indo-Pacific cooperation: the Quad Plus. Vasudeva and Panda claimed that this is "not just a mechanism to address a common challenge" but rather the "coalition of like-minded countries from the prism of its competition with China."²⁸ Talk of incorporating South Korea in building a "new grouping of like-minded nations" faces a wary response, given concern about China's reaction. It entails preventing China from setting global standards by publicly criticizing it, for instance, for adopting a widespread AI surveillance system, infringing upon intellectual property rights, and obstructing democracy.²⁹

On March 3, Secretary of State Tony Blinken said,

Our relationship with China will be competitive when it should be, collaborative when it can be, and adversarial when it must be. The common denominator is the need to engage China from a position of strength. That requires working with allies and partners, not denigrating them, because our combined weight is much harder for China to ignore. It requires engaging in diplomacy and in international organizations, because where we have pulled back, China has 'filled in.' It requires standing up for our values when human rights are abused in Xinjiang or when democracy is trampled in Hong Kong, because if we don't, China will act with even greater impunity. And it means investing in American workers, companies, and technologies, and insisting on a level playing field, because when we do, we can out-compete anyone.³⁰

In the Quad summit, the 2+2 meetings in Tokyo and Seoul, and the Anchorage exchanges with China, U.S. officials amplified Blinken's speech. The Japanese side was enthusiastic, the Indian side was newly supportive, and the Chinese officials were vigorously opposed. Of all the key players, only the Korean side remained hesitant, if not cornered on how to react to the U.S. posture toward China. Speculation centered on what the U.S. side was seeking. One unmistakable theme was the reinvigoration of trilateralism with Japan, politically and militarily. A second U.S. aspiration was the inclusion of South Korea either in the Quad or in a Quad Plus with a role in maritime security including the South China Sea, and in institutionalizing this new grouping, which China calls "NATO of the East." A third well-understood U.S. theme was to prepare for tougher sanctions on North Korea should a provocation ensue and for new missile defense coordination and deployment. Fourth, Huawei had come to symbolize U.S. insistence on technological decoupling in terms of dual-use and security-sensitive matters. Finally, there was an obvious value component to the Biden administration's desired agenda, issuing specific high-sounding words about the multilateral coalition forming in support of democracy and a rules-based order without letting China's recent behavior pass without comment. All of these issues under discussion in U.S. policy circles posed a serious challenge for Seoul, especially because acquiescence to the U.S. would alienate China.

Korea's Choice

While China demands that neighboring countries refrain from acting against its "core" interests, the U.S. has made new efforts to maintain a strategic balance in East Asia through bilateral relations with allies and partners. South Korea is expecting stronger pressure from both with no solution in sight.

Some advocate remaining somewhat neutral, or strategically ambiguous between the United States and China. Considering severe economic and cultural retaliation from Beijing during the THAAD deployment, one expert argued that Seoul should pursue an alliance with the U.S. while adopting flexible, somewhat neutral foreign policies. He explained that choosing one country and acceding to its demands would weaken South Korea's flexibility and adaptability, therefore harming national interests.³¹ Another also insisted that it would be unwise to adopt an anti-Chinese stance solely because an ally demands so. In his view, although the U.S. boasts a hegemonic position in terms of its military and economic strength and is the most preferable ally for South Korea, China is Korea's largest trading partner.³² Acutely aware of its economic muscle, China has been using its purchasing power and attractive domestic market to counterbalance any potential moves away from it, e.g., announcing its intent to economically retaliate if the South Korean government bans companies from using Huawei products. Challenging China will likely open South Korea to disastrous retribution reminiscent of the garlic dispute in 2000, or the THAAD incident.³³ In this perspective, South Korea must precariously position itself with the U.S. and its allies while minimizing pressure on China.

On the other side of the debate, some assert that sharing of values must be considered before any economic calculations when security is at stake. Although both values and interests are important, Sang-Hwan Lee argued that if China continues to implement its anti-democratic policies, it would be wise for South Korea to side with the U.S. as a free

and democratic country.³⁴ As the alliance structure is generally formed and maintained in consideration of mutual benefits, South Korea needs to be able to present its value as an ally as well.³⁵ The alliance has been crucial in the management of North Korea's nuclear threat and the security of South Korea in general. In this view, South Korea should extend its hand to the U.S. and maintain a strong alliance, even in the face of pressure by China.

Never has Seoul faced a dilemma similar to the push-and-pull awaiting between Washington and Beijing, while the Pyongyang factor adds more difficulty. No respite can be sought from Tokyo, which is more adamant than Washington that Seoul must change course, and Moscow, leaning to Pyongyang even more than earlier and more hostile to the U.S. agenda even than Beijing. The breaking point could occur in 2021 over one of several possible causes: 1) the Biden North Korea review presses Moon to deviate from his engagement first approach to North Korea; 2) Moon impatiently defies the U.S. position on North Korea in the waning days of his administration; 3) North Korea provokes a response that splits the U.S. and China; 4) a Sino-U.S. crisis occurs, wherein both sides grow more insistent that South Korea show its hand; and 5) the overall Biden policy review leaves Seoul isolated as Washington bolsters a wide-ranging Indo-Pacific strategy with other partners. The year 2020 was difficult with Trump applying pressure on bilateral relations and demonizing China, but 2021 promises to be more so with Biden prioritizing multilateralism to forge a regional coalition.

Conclusion

Some studies were conducted to find the relationship between COVID-19 and Korea's domestic politics. Joseph Yi and Wondong Lee argued that the Moon government used containment measures to promote the ruling party's overall political agenda. The party's victory in the April 2020 elections would most likely have not been possible without the pandemic. Then, the government used its secured power to implement a leftist-nationalist agenda with public support exemplified by the election results.³⁶ Some have argued that South Korea's comparatively excellent response to COVID-19 will help the nation expand its soft power and foreign policy influence.³⁷ For example, Kathryn Botto said that South Korea's successful containment of the virus has led to the apparent bolstering of South Korean soft power. The Moon government has since tried to link South Korea's pandemic response to its broader global goals such as peace on the Korean Peninsula, as if it could successfully convert its newfound soft power into actual political influence despite the uncertainty that changes caused by COVID-19 will have any positive effect on the geopolitics of Korea.

The geopolitical environment is heavily influenced by the strategic competition between the U.S. and China, which leaves little room for South Korea's soft power. Neither South Korea's domestic politics nor its enhanced soft power can affect its strategic position amid fierce strategic competition between two global powers. COVID-19 has accelerated the existing trend of geopolitics, especially with respect to the relationship between the U.S. and China. The combination of ever-increasing mistrust between the two and overdependence on China in global supply chains has led the U.S. to decrease its dependence on China and seek greater cooperation, including from South Korea—an objective more apparent since Biden took office. It has become more difficult for South Korea to navigate between the U.S. and China without damaging relations with either side. So far it has only been postponing

decisions by trying to maintain the stability of the alliance structure and by not crossing China's red lines. The first foreign leader with whom Moon had a phone call after Biden's inauguration was Xi of China. We also observe a stark contrast in the statements made from the U.S.-Japan 2+2 meetings and the Korea-U.S. 2+2 meetings in March.

One way that the pandemic can change the course of South Korea's strategic decision-making is through domestic politics. As the world lauded South Korea for its exemplary management of COVID-19, the ruling Democratic Party swept last year's legislative elections. Yet after a year riddled with governmental scandals and controversies, the opposing People Power Party won this year's mayoral by-elections in a landslide. Numerous factors are behind this shift in the political atmosphere: i.e., the fact that the by-elections were held due to the wrongdoings of the former mayors of Seoul and Busan, the ruling party's real estate policy fiasco, and the Korea Land and Housing (LH) scandal. Amidst such considerations, public criticism of the government's failure to procure COVID-19 vaccines has been instrumental in the downturn in support for the ruling party. Although it cannot be said that the pandemic acted as a direct factor in influencing the election results, it is clear that it did not work in favor of the ruling party as it had a year earlier. South Korea was conflicted over ROK-U.S. relations well before the pandemic hit. Although COVID-19 has not been a direct variable in relevant decisions, it has indirectly augmented criticism towards the Moon administration.

In 2021 the Moon administration in its final months is finding it harder to steer great power policies toward North Korea with engagement in the forefront and a regional agenda that avoids confrontation between China and the United States. The Biden administration is intent on regional coordination in the face of security threats while the Xi Jinping government regards South Korea as the weak link in the U.S. alliance and defense network, ready to retaliate against a tilt to Washington, as it did in 2016. There is no easy answer, as forces beyond Seoul's control are setting a more confrontational course.

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The Pandemic as a
Geopolitical Game Changer
in the Indo-Pacific:
The View from Japan

Glen S. Fukushima

The coronavirus pandemic that struck in late 2019 has affected the world profoundly, and Japan is no exception. But the direct impact on Japan has been relatively small considering the number of cases of infections and deaths relative to the size of Japan's population, particularly considering its elderly population and high density. For instance, among the G7 countries, Japan has had the fewest cases of infections (4,690 per million population as of May 2, 2021) compared to 32,276 in Canada, 40,620 in Germany, 64,804 in the United Kingdom, 66,828 in Italy, 86,283 in France, and 99,652 in the United States. Similarly, among the G7 countries, Japan has had by far the fewest number of deaths (81 per million population as of May 2, 2021) compared to 638 in Canada, 996 in Germany, 1,601 in France, 1,776 in the United States, 1,870 in the United Kingdom, and 2,004 in Italy.¹

This chapter argues that although the direct disruptions to Japan resulting from the pandemic have been less than to the other G7 countries, the effect of the pandemic on other nations with strong geopolitical importance to Japan—in particular, the United States and China—coupled with changes in Japan's domestic political and economic environment have accelerated changes in geopolitical posture and direction that were already in progress in Japan. The fundamental geopolitical challenge facing Japan is how to ensure its military security, political independence, and economic prosperity in the face of a less reliable and less predictable United States and a more powerful and more assertive China. For Japan, the ideal resolution of this challenge is to maintain positive and constructive relations with both countries, while recognizing the reality that even as economic ties with China—whether in trade, investment, finance, tourism, or the exchange of people—are growing relative to ties with the United States, political and security ties (and the sharing of common values) with the United States remain the centerpiece of Japan's foreign policy.

Given this context, it is only natural that Japan would seek to diversify and strengthen its relationships with other countries, regions, economic arrangements, and international organizations and institutions. This diversification, which could be seen since the end of the Cold War in the early 1990s, has gained momentum in recent years, and the pandemic has served only to accelerate it. The analysis proceeds through the examination of the following: 1) pandemic chronology; 2) Japan's domestic politics; 3) relations with the United States; 4) relations with China; 5) Japan's diversification strategy; and 6) conclusions.

Pandemic Chronology

To set the context of Japan's geopolitical stance in response to the pandemic, it is first necessary to understand how the pandemic has developed in Japan. The government confirmed the country's first case of the COVID-19 pandemic on January 16, 2020, in a resident who had returned from Wuhan, China. However, for most of February, attention was focused on the Diamond Princess cruise liner, which had been docked at Yokohama port since February 3. By the time all 3,711 people on the ship had disembarked on March 1, it was found that 712 (19.2 percent) had been infected by COVID-19, and 14 of them had died.²

Japan received worldwide criticism for its handling of the infections on the Diamond Princess. Dr. Anthony Fauci, director of the U.S. National Institute of Allergy and Infectious Diseases, said: "So, the [Japanese] quarantine process failed. I mean, I'd like to sugarcoat it and try to be diplomatic about it, but it failed. I mean, there were people getting infected

on that ship. So something went awry.”³ This assessment was echoed by many public health experts both in Japan and abroad. The lessons learned from the Diamond Princess experience and the scrutiny and criticism that resulted were among the factors that compelled Japanese authorities by March to take stronger measures to contain the spread of the virus in the country. However, several factors led to a delay in taking decisive action, including conducting aggressive and systematic testing for the virus.

First, some Japanese leaders in February and March feared that if Japan showed a large number of infected cases, this could lead to the 2020 Summer Olympics, scheduled for July and August, to be postponed or canceled. They saw the Olympics as important not only as a vehicle to assert Japan’s presence on the world stage — as was done in 1964 — but as a catalyst to stimulate demand, investment, tourism, and innovation in a sluggish economy. In addition, taking credit for a successful Olympics was seen by many as key for Prime Minister Abe Shinzo to enhance his historical legacy, to shape the political agenda (including a possible election) for the final year of his third three-year term as president of the ruling Liberal Democratic Party, and to influence the choice of his successor as prime minister.⁴

Second, public health authorities worried that if testing for the coronavirus uncovered a large number of infections, patients could overwhelm the medical system and lead to the scarce amount of resources being devoted to those with mild symptoms to the detriment of those with severe symptoms who required intensive care. This fear of a “collapse” of the medical system’s ability to cope with a large infected patient population led to the conscious and explicit policy to limit the number of tests conducted for the coronavirus.⁵

Third, during the early stages in January and February, the number of infected cases in Japan was small enough so that by identifying “clusters,” contact tracing could be fairly effective in tracking down those who had been infected. By April, however, it became clear that there were too many cases to permit accurate tracing of more than a small fraction of the infected cases.

Fourth, Japan lacked a sense of urgency in the spring of 2020 in part because its number of confirmed infected cases per million (119)—compared to Spain (5,359), the U.S. (3,675), Italy (3,505), France (2,596) and Germany (1,985)—and the number of deaths per million (four) were far fewer than in most other countries. However, the number of infected cases in Japan was not really comparable to that of other countries because the number of tests conducted per million in Japan (1,459) was minuscule compared to other countries—Spain (41,332), Italy (36,244), New Zealand (32,335), Germany (30,400), Australia (26,069), the U.S. (22,729), Hong Kong (20,674), and South Korea (12,488). According to the OECD, Japan’s use of the PCR test ranked 35th out of 36 OECD member countries. The policy to pursue minimal testing fostered a sense of complacency in Japan and a serious underestimation of the spread of the virus.⁶

On March 24, the government and the International Olympic Committee agreed to postpone the Summer Games. This paved the way for the government on April 7 finally to announce a one-month state of emergency from April 8 to May 6 for Tokyo and six other prefectures. On April 14, this was expanded to the entire country, although the “lockdowns” were partial in nature and largely exhortatory, lacking the power of legal enforcement and penalties for infractions.⁷

By avoiding the “3Cs”—closed spaces, crowded places, and close contact—the cases of infection appeared to be under control, with the number of new COVID-19 cases falling from 600-700 a day in mid-April to about 20-30 a day by mid-May. This led Abe to lift the state of emergency on May 25. At the press conference in which he made the announcement, Abe said, “In a characteristically Japanese way, we have all but brought this epidemic under control in the last month and a half...Surely, it shows the power of the Japan model.”⁸ No one has clearly defined what the “Japan model” is, although avoiding the “3Cs,” wearing facemasks, washing hands, bowing rather than shaking hands, contact-tracing, and perhaps immunity resulting from past exposure to similar viruses or from BCG vaccinations against tuberculosis, have been cited as potential reasons for Japan’s relative success.

However, by July 29, the daily number of new infections in Japan totaled 1,000 for the first time.⁹ And by November 21, the new daily cases had reached 2,596 nationwide and 539 in Tokyo.¹⁰ The accumulated infected cases reached 100,000 on October 29, 200,000 on December 22, 300,000 on January 14, and 400,000 on February 6.¹¹ Prime Minister Suga Yoshihide, who had succeeded Abe in early September, was forced to announce a state of emergency on January 7, and to extend it twice, until March 21.¹² And on April 23, Suga announced a third state of emergency, only three months before the Olympics scheduled to be held in July.¹³ The “Japan model,” which had appeared to be successful in controlling COVID-19 in the spring and early summer of last year, had clearly shown its limits by the late summer and early fall of last year, and Japan’s delay in obtaining anti-coronavirus vaccines and implementing vaccinations meant that controlling the pandemic could not be expected soon.

Japan’s Domestic Politics

Although COVID-19 infections and deaths in Japan were much fewer than in the other G-7 countries, Japan’s political leadership did not gain high marks from the public. In fact, support for Abe declined steadily during the spring and summer of 2020. In mid-May, for instance, an *Asahi Shimbun* poll showed that support for Abe had fallen to a record low of 29 percent, and 57 percent of the public disapproved of his handling of COVID-19 versus only 30 percent who approved.¹⁴ A *Mainichi Shimbun* poll released on May 23 found that Abe’s approval rating plunged 13 points to 27 percent from May 6, when the poll was last taken, and that the disapproval rating jumped from 45 percent to 64 percent.¹⁵

This gap between positive pandemic results and weak public support for the political leadership is the result of multiple factors. First, many of the steps taken to control the virus were done in a haphazard, uncoordinated way that failed to give the public confidence that the government was fully in control of the situation. Second, the LDP plan to hand out 300,000 yen cash disbursements to qualified households was abruptly changed, after the Komeito intervened, to 100,000 yen per person without income restrictions, revealing a lack of policy coordination. Third, the political leadership did not convey the sense of urgency displayed by many specialists in the public health, epidemiology, and medical community, and many of the actions taken were criticized as being too little, too late. Fourth, individual politicians were found to be violating their own instructions to the public to avoid the “3Cs” when it came to wining, dining, and socializing in close quarters and until late in the evening.

Fifth, the past year and a half have also seen a string of resignations, and in some cases arrests, of LDP politicians, including cabinet ministers. In October 2019, Sugawara Isshu, Minister of Economy, Trade and Industry, was forced to resign over a financial scandal.¹⁶ In December 2019, LDP Diet member Akimoto Tsukasa was arrested in a casino-related bribery scandal, and five other politicians were suspected of similar infractions.¹⁷ In June 2020, Minister of Justice Kawai Katsuyuki, a close confidant of Abe, was arrested for allegedly buying votes, as was his wife, Upper House Diet member Kawai Anri.¹⁸

Finally, there were lingering aftermaths of previous scandals including the Moritomo Gakuen affair¹⁹ and the Kake Gakuen affair,²⁰ as well as new scandals including Abe's attempt to revise a government retirement law to make it possible to promote Kurokawa Hiromu, head of the Tokyo High Public Prosecutor's Office, to prosecutor-general. Kurokawa, who was seen to be partial to Abe, eventually resigned because he was found to have violated government ethics rules.²¹ Perhaps most damaging to Abe was the annual "Cherry Blossom Viewing Party," to which Abe was accused of inviting his friends and constituents to reward them by using funds that allegedly exceeded the limits allowed by law.²² Before the investigation of this issue concluded, Abe, on August 28, 2020, suddenly announced his resignation as prime minister, citing health reasons.²³

Abe's resignation as the longest-serving prime minister in Japanese history brought to the close an unusually active seven years and eight months of Japanese diplomacy. In addition to visiting a record number of countries, Abe had led the effort to increase the defense budget, to revise and expand the national security strategy, to create a National Security Council in the Prime Minister's Office, to enact the State Secrets Protection Law, to revise and strengthen the Security Law, to expand the U.S.-Japan Security Guidelines, to conclude and implement the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) (despite the withdrawal of the United States from its predecessor, the TPP), to conclude and implement the EU-Japan Economic Partnership Agreement, to visit Pearl Harbor, and to pursue active diplomacy with U.S. presidents Barack Obama and Donald Trump as well as Russian President Vladimir Putin, Chinese Chairman Xi Jinping, German Chancellor Angela Merkel, and many others.

When Suga succeeded Abe as prime minister on September 18, 2020, some foreign policy experts in Japan and abroad expressed concern because of Suga's limited knowledge of and experience in foreign affairs. Unlike Abe, he had never lived or studied abroad, spoke no foreign languages, lacked the charisma and public speaking skills often expected of a world statesman, and had built his political career as a shrewd, pragmatic, hardnosed insider with a wide domestic network and reputation for ruthless effectiveness in getting things done. However, Suga's supporters pointed out that precisely because of his pragmatism and the fact that he had served as Abe's trusted chief cabinet secretary for the entire time Abe was prime minister, Suga was intimately familiar with the relevant people, issues, and policies and that continuity of Abe's diplomacy could be assured.²⁴

Suga started his prime ministership with approval ratings above 70 percent, but he stumbled early on by rejecting the nomination of six Japanese scholars to membership in the Japan Science Council, ostensibly because they had taken positions on issues of national defense contrary to the LDP's positions. His actions were widely criticized as an attempt to suppress academic freedom.²⁵ In December, Yoshikawa Takamori, an LDP Diet

member and former minister of agriculture, resigned over a financial scandal.²⁶ By January 2021, Suga's approval rating had dropped to 33 percent.²⁷ Meanwhile, cases of COVID-19 were beginning to increase again, and Suga was seen to lack a sense of urgency and to be making statements and taking actions that were too little too late.

A major issue that contributed to criticism of Suga was the government's "Go to Travel" subsidy program to revive the domestic tourism industry battered by the coronavirus. This program was launched on July 22 by Abe but excluded Tokyo out of concern that promoting tourism to and from such densely populated urban centers as Tokyo could lead to significantly increasing the number of COVID-19 infections. On October 1, two weeks after Suga assumed the prime ministership, Tokyo was added to the "Go to Travel" program, against the advice of public health experts. On October 29, the cases of infection topped 100,000, but it was not until December 14 that Suga announced a halt of the "Go to Travel" program during the New Year holidays.²⁸ Although reviving the travel and tourism industry was seen as an important way to boost the economy, many suspected that the real reason this industry received such favorable treatment by the government is that the leading politician supported by the industry is LDP Secretary-General Nikai Toshihiro, the kingmaker who in September made it possible for Suga to succeed Abe as prime minister.²⁹

Another factor that has weakened support for Suga is the scandal involving the wining and dining of senior government officials by company representatives, including by Suga Seigo, the prime minister's eldest son. On February 24, the communications ministry reprimanded 11 officials for violating the National Public Service Ethics Law after they were treated to expensive meals by officials of a broadcasting company, including Suga Seigo. There were 39 such occasions between July 2016 and December 2020, and Suga's son reportedly attended 21 of them, with the company paying over 600,000 yen.³⁰

The handling of the coronavirus and the political scandals described above have drawn much of the nation's political and media attention to domestic affairs and have contributed to the decline in Suga's support. According to an NHK poll released on March 8, the approval rating for the Suga Cabinet was 40 percent and disapproval was 37 percent, the first time in the three months since December 2020 for support to surpass nonsupport for the Suga Cabinet.³¹ These uncertainties, including the fate of the Tokyo Olympics, led some to speculate that perhaps Suga would not be able to exercise the leadership required to stay in power beyond his first year in office. In the meantime, from October 18 to 21, Suga took his first overseas trip as prime minister and visited Vietnam and Indonesia.

Relations with the United States

Newly installed Japanese prime ministers in the postwar period have often gone to the United States on their first overseas visit, signifying the importance of the bilateral relationship. However, Suga was installed as prime minister in the midst of the U.S. election campaign between Trump and former vice-president Joe Biden. The election and the pandemic both prevented an early in-person meeting between the two heads of state.

Australian prime minister Scott Morrison was the first head of state to speak on the telephone with Suga after his installation, but on September 20, Suga and Trump had a 25-minute phone call in which they confirmed that the bilateral alliance was "the

cornerstone of peace and stability in the region.” They discussed, among other issues, the COVID-19 pandemic, North Korean missiles, the return to Japan of Japanese nationals who have been abducted by North Korea, and the importance of pursuing their shared vision of a “Free and Open Indo-Pacific.”³²

Japan’s relations with the United States since the advent of the Trump administration in January 2017 were at times uncertain. However, from the standpoint of the Abe government, relations turned out to be much better for Japan than had been feared during the presidential campaign of 2016, when candidate Trump made statements that, if acted on, could have led to fundamental changes in the bilateral relationship.³³ In particular, many in Japan feared that Trump would try to slash the bilateral trade imbalance by forcing Japan to buy American products or by imposing tariffs on Japanese products, including automobiles, being exported to the United States. Although Trump withdrew the United States from the TPP and imposed tariffs on steel and aluminum imports, these actions were not the harsh trade policies that some had feared. Trump did initiate trade negotiations to regain from Japan what had been lost by withdrawing from the TPP—especially in agricultural tariff reductions—but these were no more demanding than what Japan had conceded in the TPP.³⁴ A significant number of arms purchases by Japan, as well as assiduous efforts by Abe to stroke Trump’s ego, seemed to keep Trump at bay.

On the security side, Trump assured Abe in their first formal meeting in February 2017 that there would be continuity, including U.S. assurances that the Senkaku Islands would be covered under Article 5 of the U.S.-Japan Security Treaty—just as Obama had pledged publicly when he visited Japan on a state visit in 2014.³⁵ In 2019, then-National Security Adviser John Bolton disclosed that the Trump administration was seeking a four-fold increase in Japan’s host nation support for the stationing of U.S. military forces in Japan.³⁶ If Trump had been re-elected for a second term, this would have become a highly contentious bilateral issue.

Japan’s view of the Trump administration was clearly divided between the general public, which did not want to see Trump serve a second term, and the political leadership, which had established what it believed to be a positive working relationship based on good personal chemistry between Abe and Trump. The public’s perception can be seen in the results of public opinion polls: 1) a poll conducted by Gallup and the *Yomiuri Shimbun* in November 2019 found that 76 percent of Japanese thought that “it would not be desirable for President Donald Trump to be re-elected in 2020”;³⁷ 2) a *Nikkei* poll conducted in January 2020 found that 72 percent of Japanese would not like to see Trump re-elected, while only 18 percent said they would;³⁸ and 3) an NHK poll conducted in February and March 2020 found that 57 percent of Japanese agreed that, “Re-electing Trump would have a more negative than positive impact on Japan” (only 10.3 percent answered that it would be more positive than negative).³⁹

By contrast, the Japanese leadership—LDP, many government bureaucrats, and the business community—viewed Trump as more aligned with Japan’s foreign policy interests than any of the more than 20 Democratic candidates running for the presidency. The Democrats were seen to fall into three camps: 1) candidates who were totally unknown by, and unfamiliar with, Japan, and therefore unpredictable and requiring strenuous Japanese efforts to build relationships with them from scratch; 2) progressives, such as Bernie Sanders and Elizabeth

Warren, who were seen as protectionists and isolationists; and 3) former vice president Joe Biden, the one candidate familiar to Japan's policymakers, but someone seen to portend a continuation of the Obama administration—in the Japanese view, too soft on China, North Korea, and South Korea, too tough on Russia, and too wedded to human rights.

Although Trump did not appear to be making material progress in his meetings with North Korean Chairman Kim Jong-un, Abe was pleased about the meetings in certain respects. First, they had resulted in fewer displays by Pyongyang of overt belligerence in the form of nuclear testing and missile launchings—in contrast to the passive “strategic patience” policy of the Obama administration. Also, Trump gave repeated assurances that, in response to Abe's request, he had brought up the issue of Japanese abductees each time he met with Kim, an important factor for Abe to boost his domestic political support. On South Korea, Abe did not appreciate Obama's efforts to “meddle” in Tokyo's contentious relationship with Seoul, now worsened because the Moon Jae-in government appeared to abrogate the agreement on “comfort women” that had been reached between the Park and Abe governments in December 2015. It was not until the Moon government threatened in August 2019 to terminate the GSOMIA (General Security of Military Information Agreement) with Japan that the Trump administration intervened to get Moon to relent, which was just fine for Japan.⁴⁰ And on Russia, Abe appreciated Trump's giving him a free hand to discuss with Putin the return of the Northern Territories to Japan and the concluding of a peace treaty. Obama, on the other hand, had repeatedly warned Abe not to get too friendly with Putin, which Japan viewed as an unwanted constraint.

But the most important factor that led Japan's leadership to favor Trump was his stance on China. In Japan's view, the Obama administration, from start to finish, was too idealistic, too docile, and too accommodating in its dealings with China. The fear was that Obama would be lulled by Xi Jinping into some form of G-2, a “new model of great power relations” that would sideline Japan. By contrast, Trump was seen in Japan as pragmatic, realistic, and results-oriented in trying to change Chinese behavior. Some in Japan feared that if Trump pressed too hard on China and started a new Cold War, this would be detrimental to Japan because it could be forced to choose between the two. Nonetheless, from Japan's standpoint, a certain level of tension between the United States and China was welcomed because it would heighten Japan's value to both countries. Indeed, the thawing of Sino-Japanese relations in 2018-2019 was seen in Japan as thanks to Trump's confrontational stance toward China which, in this view, forced Xi to wake up to realize Japan's value to China as an economic partner.

The Japanese leadership's preference for Trump was made explicit in a widely-read article published in the April 2020 issue of *The American Interest* titled “The Virtues of a Confrontational China Strategy.”⁴¹ The article, written by an unidentified “official of the Japanese government,” asserted: “Trump's unpredictable and transactional approach is a lesser evil compared to the danger of the United States going back to cajoling China to be a ‘responsible stakeholder.’” The timing of the article made it clear that the official was arguing that, from the standpoint of Japan's national interest, the re-election of Trump would be preferable to a Democrat winning the presidency.⁴²

Despite this preference for Trump, the Japanese leadership—as pragmatic and as resilient as ever—quickly adjusted to the victory of Joe Biden as president in November 2020. As one Japanese diplomat was fond of saying, “The American presidential election is like a Christmas present. When we’re asked what we want, we reply, ‘It’s up to you.’ When we open the gift box, regardless of what’s inside, we smile with delight and say, “This is *exactly* what I wanted!”⁴³ Since so many of the national security officials of the Biden administration are people who worked in the Obama administration, the Japanese have had a relatively easy time re-establishing the personal relationships that had been forged with them during the Obama years. This includes the replacement in January 2021 of Ambassador Sugiyama Shinsuke—who had formed close ties to the Trump team since his arrival in Washington, D.C. in March 2018—by Ambassador Tomita Koji, who had served during the Obama years as deputy chief of mission in the Japanese Embassy in Washington, D.C. as well as director general for North American affairs.

On February 18, less than a month after the inauguration, Secretary of State Tony Blinken met virtually with his foreign minister counterparts in Australia, India, and Japan—the Quadrilateral Security Dialogue (the Quad), formed in the aftermath of the 2004 tsunami and formalized in 2007. Among the topics discussed were counterterrorism, countering disinformation, maritime security, and “the urgent need to restore the democratically elected government in Burma.” They also addressed “the priority of strengthening democratic resilience in the broader region.” The four reiterated a commitment for the Quad to meet at least annually at ministerial levels and regularly at senior and working levels “to strengthen cooperation on advancing a free and open Indo-Pacific region, including support for freedom of navigation and territorial integrity.”⁴⁴

On March 12, Biden, Suga, Morrison, and Prime Minister Narendra Modi met virtually for the first-ever heads of state meeting of the Quad. Among the issues discussed were the pandemic, economic cooperation, climate change, resilient supply chains, maritime security, and emerging and critical technologies. Although China is not explicitly mentioned in any of the announcements related to this meeting, it can be inferred from the topics on the agenda that China was a major subject of discussion. For instance, the Quad’s plans for the joint distribution of coronavirus vaccines across the Indo-Pacific region was aimed to counter Beijing’s vaccine diplomacy.⁴⁵ China, for its part, criticized the Quad as an attempt by the United States to create an Asian version of NATO, aimed to undermine China’s legitimate rise.

The following week, Blinken and Secretary of Defense Lloyd Austin flew to Japan and South Korea on the first overseas visit by any cabinet official since the inauguration.⁴⁶ In Tokyo, they held a meeting of the U.S.-Japan Security Consultative Committee (“Two-Plus-Two”) between Blinken and Japanese Foreign Minister Motegi Toshimitsu and Austin and Japanese Minister of Defense Kishi Nobuo, covering U.S.-Japan coordination on China policy.⁴⁷ Blinken then flew to Anchorage and was joined by National Security Adviser Jake Sullivan to meet March 18-19 with Chinese Communist Party Foreign Affairs Chief Yang Jiechi and State Councilor and Foreign Minister Wang Yi.⁴⁸

In contrast to the haphazard, disorganized, shoot-from-the-hip approach of the Trump administration, the Biden team was impressive in its disciplined and professional orchestration of coordinating with its allies before meeting with Chinese officials, and following this up with the meeting with Biden and Suga in Washington, D.C. on April 16.

Relations with China

North Korea's nuclear and missile developments are issues of immediate concern for Japan, but the biggest long-term foreign policy challenge for Japan is China. Since establishing diplomatic relations in 1973, Sino-Japanese relations have had their ups and downs. But the growth of China's economy relative to Japan's is nothing short of remarkable. In 1980, China's GDP of \$305 billion was about one-third of Japan's GDP of \$1.1 trillion. In 2010, China (\$6.1 trillion) overtook Japan (\$5.7 trillion) to become the world's second-largest economy, and China surpassed the United States as Japan's most important trading partner. The IMF predicts that by 2023, China's GDP will grow to three times Japan's GDP.⁴⁹

Despite the attempt by both sides to derive benefits from the growing economic ties and to keep politics and the economy separate, in reality, both sides realize that this is easier said than done. In 2005, anti-Japanese sentiment in China led to protests and disruptions in trade, but these were short-lived.⁵⁰ However, the 2010 collision between a Chinese ship and a Japanese ship led to China retaliating by restricting the export of rare earth metals to Japan.⁵¹ This economic retaliation has been repeated against South Korea over the announcement in 2016 that the United States would deploy the THAAD (Terminal High Altitude Area Defense) in South Korea.⁵² More recently China imposed economic sanctions against Australia and in November 2020 issued a list of "14 demands" aimed at the Australian government.⁵³

In September 2012, as a result of the Japanese government purchasing the Senkaku (or Diaoyu) Islands in the East China Sea, violent protests against Japanese companies broke out in dozens of Chinese cities, including facilities operated by Toyota, Honda, Panasonic, and others, being set on fire.⁵⁴ The constant Chinese maritime patrolling of the Senkaku Islands and Japanese attempts to counter these activities have created a tense situation that could result in open conflict. And on February 1, China enacted a law that gives Chinese Coast Guard crew members the right to use weapons if needed against foreign ships that ignore their instructions.⁵⁵

The rapid military buildup by China and its activities in the South China and East China seas have increased Japan's strategic concerns. China announced on March 5 its 2021 defense budget, which includes a 6.8 percent increase over the previous year. At \$208 billion, it is one-quarter of that of the United States, but four times larger than Japan's defense spending.⁵⁶ The U.S. Navy expects China's navy, already numerically the largest in the world, to increase from the 360 battle force ships it had at the end of 2020 to 420 in 2030, while the United States will grow from 297 to 355 by 2034. China may launch its third aircraft carrier this year, following the Liaoning, which it purchased second-hand from Ukraine and refurbished, and the Shandong, its first domestically-built carrier. With three carriers, it can simultaneously have one in operation, one in repair, and one in training, which is the ideal combination.⁵⁷

On March 4, Admiral Philip Davidson, head of U.S. Indo-Pacific Command, stated, “The period between now and 2026, this decade, is the time horizon in which China is positioned to achieve overmatch in its capability, and when Beijing could, ‘could,’ widely choose to forcibly change the status quo in the region...And I would say the change in that status quo could be permanent.”⁵⁸ He was referring to the possibility of China taking action against Taiwan. In his March 9 testimony in front of the Senate, Davidson suggested that America’s decades-long position of strategic ambiguity toward Taiwan should be reassessed.⁵⁹

Although the Japanese leadership had expressed concern before the U.S. election that the Biden administration may be too soft on China, early statements by Biden and his foreign policy team have provided a certain level of assurance. Blinken cited the U.S. relationship with Beijing as “the biggest geopolitical test of the 21st century,” noting a need to engage China from a position of strength which can only be done alongside allies and partners.” Speaking about the administration’s national security strategy, Blinken said, “China is the only country with the economic, diplomatic, military, and technological power to seriously challenge the stable and open international system—all the rules, values, and relationships that make the world work the way we want it to.”⁶⁰

On the military portion of the Quad, cooperation has been increasing over the past year through bilateral agreements between Quad partners and joint military drills. Last November, Australia joined the annual Malabar exercises with the United States, Japan, and India. Conducted annually since 1992, the maneuvers have grown in size and complexity in recent years to address what the U.S. Navy has described in the past as a “variety of shared threats to maritime security in the Indo-Asia Pacific.” The participation of Australia meant that all four members of the Quad were involved in the drills for the first time since 2007.⁶¹

All four have had issues with China in recent years. In the case of India, in June 2020, Indian and Chinese troops were involved in a military clash along the Line of Actual Control (the de facto border in the Himalayas), leaving troops dead on both sides after hand-to-hand combat. Relations have been chilly since, with the emergence of both trade and technology disputes.⁶²

Japan’s Diversification Strategy

In public opinion polls over the past two decades asking which country in the world is the most liked, admired, or respected, Japan usually appears in the top five.⁶³ This is in part because, unlike the 1970s to 1990s, Japan is no longer feared as an economic juggernaut intent on conquering the world, its Constitution has prevented it from launching wars, its overseas assistance has aided many countries especially in Asia and Africa, and its popular culture—manga, anime, J-pop, food, etc.—has proved to be popular overseas. At the same time, its neighborhood is not entirely friendly. Public opinion polls and media reports generally reveal that the least favorable views of Japan are in China, North Korea, South Korea, and Russia.⁶⁴

As a result of Japan's defeat in World War Two, the Allied Occupation, the San Francisco Peace Treaty, the Cold War, and the U.S.-Japan Security Treaty, Japan's postwar diplomacy has had as its foundation close ties to the United States. However, the end of the Cold War in the early 1990s led to a multipolar world, and information technology has contributed to the world becoming more diversified and fragmented. In addition, the United States over the past few years has become less united, more divided, and seemingly less committed to engaging with the world as it had been doing during the Cold War. In September 2013,⁶⁵ Obama declared that "the United States is not the world's policeman," while his failure to act in August 2013 on the "red line" he had drawn for Syria in August 2012 was noted around the world, including Japan, where many viewed it as casting doubt on America's willingness or ability to stand by its commitments.⁶⁶ The end of the Cold War, and subsequent developments, have prompted some in Japan to argue that the country should depend less on the United States and diversify its foreign relations—to which Abe contributed.

The 2016 election of Donald Trump as president signaled to the world, including Japan, that American voters had profound dissatisfactions and anxieties—whether about economic security, unemployment, social inequalities, immigration, race, etc.—and that they demanded "change" to benefit Americans. Trump turned out to be a xenophobe who claimed that the world, especially our allies and partners, were "ripping off" the United States and that "from now on, it's going to be America First!"⁶⁷

This solipsistic view of the world, coupled with Trump's erratic behavior, led many Japanese to question the reliability, dependability, and stability of the United States as a partner and ally. In addition, the competence and the policy effectiveness of the American government were severely damaged as the Trump administration mishandled the coronavirus pandemic. Public opinion polls in late 2020 showed the United States as having had the worst response to the pandemic among the G7 countries, with the greatest number of infected cases and the largest number of deaths.⁶⁸ The pandemic accelerated the path toward diversification that Japan had already been pursuing since the end of the Cold War.

When Suga assumed the prime ministership, he realized that the U.S. presidential election and the pandemic would prevent him from visiting the United States for the time being. And given Japan's delicate relationships with China, Russia, and South Korea, these would not be easy destinations for his first overseas trip as prime minister. The natural choice was Southeast Asia, following the footsteps of Abe, who made Vietnam his first overseas trip after resuming the prime ministership in December 2012. During his first year in office, Abe visited all 10 members of the Association of Southeast Asian Nations (ASEAN). Suga's four-day trip to Vietnam and Indonesia included discussions to promote tourism, business travel, and investment, especially in infrastructure, and to diversify supply chains.⁶⁹ In Indonesia, Suga pledged that Japan would provide 50 billion yen in loans for disaster prevention and to fight COVID-19.⁷⁰

Particularly noteworthy were agreements regarding national security. Suga and Prime Minister Nguyen Xuan Phuc agreed to transfer defense technology and equipment to Vietnam, following an agreement in July 2020 with the Japan International Cooperation Agency (JICA) according to which Hanoi will borrow 36.63 billion yen to build six coast guard patrol vessels, to be delivered by October 2025. In Jakarta, Suga and President Joko Widodo pledged to strengthen security and defense ties. Building on a 2015 agreement to

enhance security cooperation in the South China Sea, they said they would hold a meeting of foreign and defense ministers at an early date and expedite talks on the sale of defense-related equipment and technology.⁷¹

Without explicitly naming China, Suga's statements throughout his visits to Vietnam and Indonesia had China in the background. He denounced moves "that go against the rule of law" in the South China Sea while emphasizing that "ASEAN and Japan fully share fundamental principles." With Phuc, Suga agreed to cooperate on the Free and Open Indo-Pacific Initiative.⁷² The 10 countries of ASEAN, for their part, have developed the "ASEAN Outlook on the Indo-Pacific," accepting the idea of an Indo-Pacific region but carefully avoiding endorsing a particular strategy.⁷³ Nonetheless, Suga stated that he "strongly supports" a document that "powerfully sets forth the rule of law, openness, freedom, transparency, and inclusiveness as ASEAN's principles for behavior."⁷⁴ Suga further denied that the Quad, which had met in Tokyo earlier in October, had any intention of becoming an Asian version of NATO (North Atlantic Treaty Organization). Rather, Japan and its partners "are willing to cooperate with any country that shares our thinking."⁷⁵

ASEAN's reluctance to offend or alienate China is understandable, given that in the 10 years between 2009 and 2019, China's share of ASEAN total trade has grown from 11.6 percent to 18 percent, and the share is almost certain to grow.⁷⁶ Bilihari Kausikan, the astute former senior official of the Singapore Ministry of Foreign Affairs, recently wrote:

China's size and economic weight no doubt stroke anxieties among its Southeast Asian neighbors, worries that have been accentuated by the aggressive foreign policy of President Xi Jinping. But those concerns must be weighed against the necessity of maintaining political and economic ties with Asia's biggest power. No country in Southeast Asia will accept an exclusive relationship with China or the United States or any other power. No country will pick a side.⁷⁷

Japan is well aware of this stance among Southeast Asian countries and is attempting to steer a third path. This involves accepting the growing economic influence of China in the region while maintaining close political and security ties with the United States and, at the same time, strengthening ties to Southeast Asia. It is part of a diversification strategy that Japan has adopted since the end of the Cold War, when the postwar bipolar structure evolved into the multipolar structure we see now. Japanese leaders share Kausikan's admonition to the United States:

Biden should be cautious about promoting American values in response to Trump's indifference to them. Such values are not necessarily a strategic asset in Southeast Asia, where they are not shared by all. 'Democracy' is a protean term, 'human rights' is subject to many interpretations, and Southeast Asia generally places more emphasis on the rights of the community than on those of the individual.⁷⁸

Yachi Shotaro, the former vice minister of foreign affairs who served as Abe's first head of the National Security Council from January 2014 to September 2019, gave a speech in Tokyo to Japanese opinion leaders at the end of last year in which he essentially validated the diversification analysis provided above. His central point was the importance of Japan maintaining its close alliance with the United States based on the U.S.-Japan Security Treaty, while at the same time pursuing good relations with China as an important "neighboring

country.” He emphasized the need for Japan to maintain a sense of balance and to oppose the “decoupling” from China that some Americans have advocated. He also pointed to the importance to Japan of the Quad, the Free and Open Indo-Pacific, India, Australia, and ASEAN. In addition, he stated that the European Union—in particular Britain, France, and Germany—should get more engaged in ensuring the future of the Free and Open Indo-Pacific.⁷⁹ Although he did not use the word diversification, that is in fact what he was advocating for, for the future of Japan’s diplomacy.

Additional ways in which Japan can realize this diversification include expanding the CPTPP to include other countries and economies; implementing the 15-country RCEP (Regional Economic Comprehensive Partnership), which was ratified by the Diet on April 28;⁸⁰ pursuing other bilateral and multilateral economic arrangements; and engaging more actively in international organizations and institutions, including the WHO (World Health Organization), WTO (World Trade Organization), and WIPO (World Intellectual Property Organization).

Conclusion

Biden’s inauguration in January 2021 has not slowed Japan’s pursuit of strategic diversification, but it has slowed the attempt to navigate a middle course between the United States and China. On April 16, Biden welcomed Suga to the White House as the first foreign leader to meet in person since assuming the presidency.⁸¹ The meeting achieved the goals that each side had set. For Biden, it was an opportunity to: (1) demonstrate to Japan its importance as an American ally; (2) signal to China that, despite its efforts to woo Japan during the Trump administration, Japan remains firmly allied with the United States; (3) commit Japan to working closely with the United States on issues ranging from security to trade, investment, technology, climate change, and human rights; and (4) show the American electorate (and the world) that he is rejecting his predecessor’s denigration of partners and allies and working closely with them to counter China’s growing influence.

For Suga, the meeting was important to: (1) show the Japanese public that, despite his reputation as a local politician with little experience in foreign policy (unlike his predecessor), he can be trusted to manage Japan’s relationship with the United States; (2) demonstrate to China that Japan has the firm support of the United States to protect Japan (including the Senkaku Islands) under the U.S.-Japan Security Treaty; (3) demonstrate to North Korea that Japan has the firm support of the United States, including on the issue of Japanese abductees; and (4) show Japanese voters that in the elections expected this fall, Suga deserves to be reelected as president of the LDP (and therefore continue as prime minister) and that the LDP should be reelected to maintain control of the Lower House of the Diet.

In addition to the joint press conference held immediately after the meeting,⁸² three documents were issued that specified what the two leaders had agreed to: (1) “U.S.-Japan Global Partnership for a New Era”;⁸³ (2) “U.S.-Japan Competitiveness and Resilience (CoRe) Partnership”;⁸⁴ and (3) “U.S.-Japan Climate Partnership on Ambition, Decarbonization, and Clean Energy.”⁸⁵ These, along with the “Joint Statement of the U.S.-Japan Security Consultative Committee (Two-Plus-Two),” issued in Tokyo on March 16 after the Two-Plus-Two meeting between Blinken and Austin and their Japanese counterparts,⁸⁶ constitute the framework for future cooperation between the two governments.

What attracted particular attention in Japan were the passages in the “U.S.-Japan Global Partnership for a New Era” that expressed “concerns over Chinese activities that are inconsistent with the international rules-based order, including the use of economic and other forms of coercion.”⁸⁷ Furthermore, “We underscore the importance of peace and stability across the Taiwan Strait and encourage the peaceful resolution of cross-Strait issues,” the document stated.⁸⁸ The last American and Japanese leaders to mention Taiwan in a joint statement were President Richard Nixon and Prime Minister Sato Eisaku in 1969, reflecting the heightened recent concern by both the United States and Japan that China may be preparing to act in ways contrary to a “peaceful resolution” of this issue.⁸⁹

The Chinese government expressed “strong dissatisfaction” with the U.S.-Japan joint statement and countered that the expression of concern meddled in China’s affairs and “severely violates basic norms governing international relations...China deplores and rejects it...[the United States and Japan are] ganging up to form cliques and fanning bloc confrontation.”⁹⁰ Some Japanese are worried that Suga may have gone too far in aligning with the United States against China and that he should have been “more ambiguous” in his wording. For instance, Takeuchi Yukio, Japan’s former vice minister of foreign affairs, argued that Japan had “crossed the Rubicon” and should prepare for “retaliation” from China.⁹¹

However, a time-honored Japanese maxim should be kept in mind: “*soron sansei, kakuron hantai*.” The English translation would be “agree in principle, disagree on the specifics,” or “the devil is in the details.” The four documents cited above contain specific programs and initiatives in which the United States and Japan will engage to deepen their “global partnership for a new era.” But the documents also contain many statements of principles, aspirations, and direction. Fleshing these out into concrete actions to produce tangible results will require considerable work, since whether in the areas of security, trade, technology, climate change, or human rights, the American and Japanese concepts, interests, and priorities vis-à-vis China are not identical. The Chinese government fully realizes this, and thus its reactions so far have been limited to verbal denunciations, not retaliatory actions.

As indicated by the intense attention in Japan given to what Suga did and did not commit to Biden regarding China during their summit meeting of April 16, many Japanese remain concerned that the United States may have unrealistic expectations of Japan when it comes to supporting the United States in its military activities in the region, especially regarding Taiwan.⁹² For instance, under strong criticism from Beijing, Suga stated in a Diet meeting on April 20 that the reference to Taiwan in the joint statement “does not presuppose [Japan’s] military involvement at all.”⁹³ The Biden Administration also expects greater security cooperation between Japan and South Korea, not necessarily welcomed by the two countries.⁹⁴

Another uncertainty for Japan is the extent to which the Biden administration will expect Japan to cooperate with the United States in imposing economic sanctions against China.⁹⁵ American leaders, based perhaps on their Cold War experience, tend to place primacy on military strength as the key determinant of national security and tend to underestimate how much Japan and China place importance on economic—especially technological—competitiveness as a source of national power. American policymakers will need to

develop a much more sophisticated and nuanced understanding of the complex interplay between military security and economic competitiveness, in order to persuade Japan to work effectively with the United States regarding economic sanctions against China.

A more general uncertainty and concern for Japan is America's economic presence in Asia. Japan has kept the door open for the United States to return to the TPP (now CPTPP), but this is unlikely to be realized soon. The main reason is the view by many in the Biden administration that the economic benefits to the United States of joining are not as large or as immediate as desired when weighed against the political capital required to forge the consensus necessary to join. In particular, Biden's pledge to pursue "a foreign policy for the middle class" (based on the report of the Carnegie Endowment for International Peace issued in September 2020) may constrain the administration from embracing international trade agreements as readily as in the past.⁹⁶

Human rights is another area in which Japan's perspectives and policies are not necessarily aligned with those of the United States.⁹⁷ This derives from three sources. First, because Japan's postwar Constitution has limited Japan's ability to use military strength to wield influence abroad, it has concentrated its efforts on diplomacy, which by definition prioritizes dialogue and discussion over the unilateral withdrawal and termination of relationships.⁹⁸ Second, Japan's notion of promoting human rights (like that of many other Asian countries) is more communal, social, and holistic than the American focus on the legalistic individual rights of freedom of speech, expression, press, assembly, etc. Finally, as a Japanese Diet member recently explained, "When a bully at school is challenged by a group of students, the bully is most likely to lash out at the weakest among the challengers. We in Japan are afraid that if we side against China with the U.S., China will retaliate, but not against the U.S., because it is so powerful, but against Japan, because we are the most vulnerable."⁹⁹

The governments of the United States and Japan have announced that the two countries are embarking on a "global partnership for a new era." The general principles and framework have been outlined, and now the specific contents need to be agreed to and acted upon. How Japan deals with China will depend in large part on how confident Japan is of America's power, stability, consistency, predictability, and reliability. But there is no doubt that the pandemic has accelerated Japan's quest for strategic diversification.

Endnotes

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**THE PANDEMIC'S IMPACT ON BILATERAL
NATIONAL IDENTITY CLASHES IN THE
INDO-PACIFIC**

Introduction

The end of the Cold War was expected to take ideology off the table, and the emergence of new security threats promised to put realist concerns at the forefront, but somehow by 2021 national identity clashes had intensified and diversified beyond anything seen in ages. In a span of a few days in mid-March, the Sino-U.S. ideological divide had hijacked the first meeting of high officials of the Biden administration with Xi Jinping's top foreign affairs officials in an unprecedented tit-for-tat exchange in Alaska, and Joe Biden's response of "I do" to a reporter's query if he considers Vladimir Putin a killer, led to similar mutual accusations and the Russian ambassador to Washington being recalled. In the same week U.S. officials visited Tokyo and Seoul but had to use great restraint not to be perceived as taking sides in the bitter history dispute spoiling relations between the two U.S. allies, and went on to India, where an opening existed due to the widened rift between China and India in 2020. China was flexing its muscles not only at the U.S. but in various ways at U.S. allies and partners, as in the "culture war" between netizens in China and South Korea against the background of geopolitical antagonisms rooted in history, including the Korean War and the U.S.-ROK alliance—both treated as identity divides.

Bilateral relations in the Indo-Pacific region have recently become more vitriolic. This is true of the relationship between the United States and China, which acquired a more ideological edge amidst the charges and countercharges over the pandemic. It is also true of Russo-U.S. relations, now harking back to the tone of the Cold War era. As the Himalayan border between China and India saw a military skirmish, both sides grew more acerbic toward the other in their rhetoric. In the historically charged ROK-Japanese relationship, the period from mid-2019 to 2020 marked a further deep dive, charged with accusations about national identity, not geopolitical clashes, although the pandemic was not seen as a driving force. We take note also of the case of China and South Korea, which has been less noticed by observers, but which also saw a divide linked to the pandemic though extending far beyond it. Geopolitical anxieties were close to levels last seen in the Cold War, accompanied by national identity clashes of growing magnitude and diversity.

The pandemic led the public in many countries to view China and the United States in a more negative light. These two powers demonized each other's approach, as Russia also sought to discredit the U.S. democratic system for its handling of this crisis. For the U.S. response to Russia and the other bilateral cases, the pandemic was less salient to the more negative image taking shape. However, where China was involved, it could not be dismissed due to China's perceived responsibility for causing the outbreak and mishandling it, or due to Chinese anger over how it was being criticized or over the lack of gratitude for its contributions. The Trump factor was the crux of criticisms of incompetence and unilateralism on the part of the U.S., which Biden rushed to alter. Slurs against China as the source of the virus were disavowed, as anti-Asian American hate crimes shocked the world. But the pandemic was little more than a catalyst for wide identity divides that had been intensifying pre-2020, and which became further aggravated in 2021, with less attention to the pandemic.

Was the pandemic a gamechanger? No, is the joint answer. For Seoul and Tokyo, it exposed missed opportunities as relations, after sinking badly, were mostly put on hold before Biden tried to change this through trilateralism. For Moscow and Washington, it was a marginal interest, although Russians sought proof that U.S. democracy was fundamentally

at fault, as they responded to Biden's human rights agenda and alliance strengthening by widening the identity gap, which reverberated in the U.S. For Delhi and Beijing, mutual accusations related to how the pandemic was handled were more a result of antagonisms over a border clash than the cause of a wider identity gap. The impact was more direct in the Sino-ROK relationship, not because of tensions between the two governments but due to Chinese netizens' anger over the negative drift in South Korean public opinion over the pandemic, while "culture clashes" over history were heating up independently. The biggest impact was on Sino-U.S. relations, which could be attributed mainly to Trump's efforts to gain political capital from the "Wuhan virus" and Xi Jinping's emboldened "wolf warrior" behavior. But Biden's emphasis on human rights and the Quad reinforced China's efforts to widen the national identity gap.

Below we examine five bilateral national identity gaps. None of them narrowed in the year of the pandemic's peak in these countries. The Japan-South Korea gap had widened sharply in 2018-19, and if opportunities to narrow the gap appeared in 2020, they were not seized. In the other four cases, there was an unmistakable widening of the identity gap in 2020, accelerated in some cases by pandemic responses but driven also by other causes. The replacement of Trump by Biden had implications for identity gaps, potentially narrowing some. The fact that the pandemic began receding as a factor is likely to ease some identity-related divisions, but the sharper clash of geopolitics and identities between China and the U.S. as well as Russia and the U.S. portends deeper divides with no improvement in sight.

The following chapters ask: have national identity gaps widened during the pandemic's year of charged emotions; if so, was this due directly or indirectly to the pandemic; how are sharpening Sino-U.S. differences impacting bilateral identity gaps, and, from the vantage point of the spring of 2021, how has the Biden effect altered the Trump legacy? In the forefront looms the national identity or ideological clash between China or Russia on one side, and the United States, Japan, South Korea, and India on the other—authoritarian states with a communist legacy vs. democracies, even if their democratic systems have been exposed as more flawed, and rallying behind that cause is complicated.

Danielle Cohen, "The Sino-U.S. National Identity Gap and Bilateral Relations"

The national identity clash between China and the United States burst onto the stage in 2020, but even as Biden put an administration in place in 2021 that was no longer inclined to xenophobia and hyperbole, the clash persisted as it became more clearly defined. Allies and partners who had kept their distance from Trump's characterization of "America First" vs. communism were more sympathetic, if still cautious, toward Biden's quest for a shared vision to be generated by a "summit of democracies" and his focus on the positive mission of forging a rules-based order while calling out human rights violations in China. Trump muddled the message contrasting the two sides, starting with an extreme, divisive version of American national identity, while he also waxed hot and cold about Xi Jinping, mostly ignoring repression. Biden revived the mainstream narrative of U.S. national identity and was more consistent and precise in contrasting China's resurgent identity. On the Chinese side, there was more continuity, although the "wolf warrior" tendencies gathering force under Xi accelerated in response both to the pandemic success relative to the U.S., and to Trump.

Xi Jinping spurred an upsurge in assertiveness about China's national identity and the "China Dream" while also opening the door to demonizing U.S. national identity, as exemplified by articles in *Global Times*. Donald Trump and both Mike Pence and Mike Pompeo increasingly vilified China's national identity as Trump strove to reconstruct U.S. identity in ways deeply disruptive of unity at home and alliances with allies. On top of these two unprecedented forces in Sino-U.S. relations since normalization, a third force was at work in 2020, mostly as a catalyst, in exacerbating the identity gap: narratives about the COVID-19 pandemic. Grasping for a pathway to reelection and distraction from his own bungling of the pandemic response, Trump strove to magnify China's responsibility and to lay blame on its systemic failings. Emboldened by the disparity between China's quick recovery and the U.S. failure prior to vaccinations in 2021, Xi Jinping unleashed barrages of contrasts, insisting that these outcomes proved the superiority of China's socialism.

In the Cold War era, communist narratives portrayed socialism and capitalism as opposites, one inherently superior and the other inescapably flawed. For three decades or more, Chinese replaced this polarized outlook with openness to learning from the U.S. and others, and relative silence about the identity differences between China and the U.S. In turn, the prevailing U.S. assumption was that despite divergent national interests, ideology and even identity mattered little. The identity clash came to the forefront in 2008, intensified in 2013, and grew much more pronounced in 2020. It acquired ideological overtones, became embedded in historical worldviews, glorified clashing economic and political models, insisted on inherent civilizational superiority, sharply contrasted state-society relations, and offered divergent images of the regional community in Asia and the international community. The contrast was obscured under Trump.

As Trump left a cloud of confusion surrounding the pillars of American identity—as defender of the "free world," advocate of free markets, protector of minorities' rights, champion of global human rights, adherent of science-based policies, etc.—Xi pushed an identity for China that embraced authoritarianism and presented China as a model. Biden's administration in its first months was still engaged in policy reviews, but the identity divide with China was clarified.

The COVID-19 pandemic complicated already tense Sino-U.S. relations. Prior to the pandemic, China saw itself as a responsible world power with the right to play a deciding role in global governance structures, while the United States was split between those who supported the Trump administration's "America First" policy and those who worried about the global repercussions of an isolationist, nativist policy. The pandemic called both countries' national identities into question. When combined with its assessment of U.S. power after the Global Financial Crisis, and of U.S. domestic social and political instability evident throughout 2020-2021, the pandemic strengthened Chinese perceptions of the U.S. as in decline and of China as a "risen" great power that should now play a major role in shaping the global order.

The PRC's new identity as an economic powerhouse has gradually replaced its longstanding identity as the leader among developing states. China's interest in global trade led to jarring dissonance during the Trump administration: while the United States advanced protectionist policies, the Chinese repeatedly declared their support for multilateral free trade agreements. The recently concluded RCEP negotiations indicate Chinese support for

regional trade agreements; importantly, the agreement is the first to include China, Japan, and South Korea. Yet, Americans are now more suspicious of how China forges and wields its economic power—from violations of intellectual property rights to unofficial sanctions to make countries such as South Korea and Australia pay for geostrategic policies or criticisms. If China now claims the mantle of champion of free trade and open markets, this image is unconvincing in light of more favoritism for state-owned enterprises and utilization of what many perceive as forced labor in Xinjiang camps.

Early in his leadership, Xi urged his country to achieve the “China Dream” of “the great revival of the Chinese nation.” This identity of rejuvenated greatness, which synthesizes historical legitimacy and inevitability with civilizational and economic superiority, has been consolidated into “Xi Jinping Thought” and permeates China’s foreign policy. In his 2017 speech to the 19th Party Congress, Xi Jinping argued that “socialism with Chinese characteristics” had entered a “new era,” and could serve as a political-economic model for states that “want to speed up their development while preserving their independence,” through establishment of “a community with a shared future for mankind.” While only recently China insisted its aims were limited to regional influence, over the past several years it has increasingly asserted its global influence. With the successful creation of the AIIB and the BRICS-organized New Development Bank, as well as the successful conclusion of RCEP, China is starting to rewrite the rules of the international system.

The Chinese government’s view of its relative equality to the United States was on full view during the tense opening session of the March 2021 U.S.-China meeting in Anchorage, Alaska. In his opening remarks, director of the Office of the Central Commission for Foreign Affairs, Yang Jiechi, twice asserted that “China and the United States are *both* great powers,” implying that they are the sole superpowers. Growing confidence in its own political-economic model and skepticism of the U.S. model are evident in three aspects: 1) its analysis of the shift in the relative power of China and the U.S. brought about by the 2008 Global Financial Crisis; 2) its assessment of U.S. domestic unrest in light of the 2020 Black Lives Matter protests and the 2021 Capitol Insurrection; and 3) its views about the implications of Chinese and U.S. management of the COVID-19 pandemic for post-pandemic global relations.

Chinese observers believe that the Global Financial Crisis supports the long-held position that the U.S. model of capitalism is inferior to the Chinese “socialist market economy.” Notwithstanding the subsequent recovery in the U.S. and the EU, analysts believe that the Global Financial Crisis indicated the fundamental failures of the neoliberal model, both as an economic philosophy and also as a political philosophy that emphasizes human rights, democracy, and freedom. They argue that as the American public became increasingly critical of neoliberalism, on the right and the left, it began to cast China as the scapegoat for domestic U.S. economic problems, undermining bilateral relations. Trump’s protectionist policies brought China an opportunity to position itself as defender of the rules-based multilateral free trade system.

One Chinese writer contended that U.S. national identity is based on three components: white supremacy, democratic supremacy, and global hegemony (all of which are challenged by the rise of China). Chinese interlocutors have seized on social unrest brought to the fore by the summer 2020 protests across the United States as an opportunity to point to what

they see as hypocrisy in U.S. attempts to hold itself up as a model of human rights, citing political polarization, the disputed election, and the Capitol Insurrection as evidence of the weakness of American democracy.

Also, Chinese write that the efforts by China and the United States to manage the COVID-19 pandemic indisputably show the superiority of the Chinese government's model of governance and the view that the pandemic has hastened the power shift. With its domestic outbreak largely under control, China has gained an upper hand in the so-called "vaccine diplomacy." The implication is clear: when faced with a global crisis, it is China that has the capacity to provide the global public good, not the United States. Chinese observers have argued that the disparate COVID-19 experiences of China and the United States indicate that the pandemic has hastened the shift in the global power distribution that was already underway.

Gilbert Rozman, "The Russo-U.S. National Identity Gap and the Indo-Pacific in 2021"

The Indo-Pacific is where relations between Moscow and Washington have the most potential, spared of the quandaries of NATO expansion and Soviet nostalgia over a sphere of influence or Middle East intrigues leading to shifting alliances. Yet, cooperation in the Indo-Pacific proved to be a casualty of Russian thinking toward the United States, most of all, as well as toward China, North Korea, South Korea, Japan, and India. The Russo-U.S. identity gap has widened further in 2021. Only by opening a clear identity gap with China will Russia's need for the U.S. come into view. Yet the mainstream narrative is that Russia has no identity clash with China and must reciprocate the United States' feelings toward Russia, by demonizing the U.S. as the ideological enemy. The crux of national identity at the beginning of the 2020s is as follows: Russia is a strategic triangle power (no more superpowers exist, and only Russia ranks with the U.S. and China); a defender of values deemed traditional (in contrast to the West, which has lost its way with political correctness on family and religion), and in contrast to China, whose values are largely left undefined but are not considered appealing to others; and a champion of realism in defense of sovereignty opposed to spreading values from the West or humanitarian intervention.

The mutual demonization of Moscow and Washington is made easier by the legacy of the Cold War. Putin has long accused the U.S. of a "Cold War" mentality, and lately one could read, "The long-forgotten spirit of McCarthyism is again felt in the air." Russians capitalize on a legacy of distrust of the U.S. nurtured by Soviet leaders. In the 2010s, under Putin, the Russian side boosted the identity gap—a one-sided obsession that has recently become two-sided. Washington has reluctantly awakened to the identity gap. In 2021, we observe such factors as: Putin doubling down on hostility to the United States, following Russia's successful penetration of government and private company networks in a massive cyber-crime; a negative response to Biden after losing Trump's warmth to Putin; renewed awareness that Russia has more need than before of close ties to China; and a new Cold War atmosphere prioritizing the strategic triangle. The essence of the gap is: a revival of ideology signaling that the U.S. is driven by the obsessions of the age of anti-communism and Russia is back to similar totalitarianism and expansionism as in the Cold War—as if 1989-91 is of little consequence and divisions over the meaning of 1945 and the Korean

War matter most; a clash of civilizations, as Russians insist they are distinct from the West and traditional in the face of radical “modernist” values tearing the U.S. asunder; a clash of social systems, one top-down centered on state authority and the other in free-fall proving democracy’s flaws in its rampant individualism; and opposite views of the world from great power spheres of influence to a liberal international order.

Boosting alliances, calling for a summit of democracies, and calling out Russia for a large number of violations of international norms, Biden brought the Russo-U.S. identity gap into the forefront on the U.S. side after Trump had suggested that he and Putin were sympatico. Russia has reclaimed the mantle of “Cold War enemy,” despite the absence of “communist” in its image. It is perceived as authoritarian, anti-American, expansionist, and hostile to overtures that could promote peace and stability. Worse than before, it is also viewed as a direct threat to the democratic system of the United States, now using novel “sharp power.” Russia’s leaders view Biden as more threatening because he stands for, and will lead the democratic world in spreading, the values Russians regard as threatening their country.

Russia has struggled to locate itself as an autonomous world power and civilization since early in the 1990s. Yeltsin led in the search for the “Russian idea,” Putin proclaimed Russia’s “Eurasian identity,” and, continuously, the legacy of the Soviet Union has permeated the quest for identity distinctive from the West or a common European one. Three steps proved essential to overcoming malaise: 1) reconnection with the Soviet legacy; 2) separation from the “Western” identity; and 3) mobilization around symbols of national identity, as Crimea became mobilized after its annexation in 2014. Doubling down on attributes of Soviet identity, such as statism and the cult of an unchecked leader, invoked nostalgia. Defining the West as a threat to both national interests and the distinctive Russian civilization created the desired separation from the “other.” Territorial issues proved ideal for mobilizing on behalf of a reconstructed national identity, but so too did “spheres of influence.” Putin reconstructed Russian national identity around five pillars: 1) an ideology of Russocentrism with elements of socialism and anti-westernism redolent of the Soviet era; 2) pride in overlapping histories of Tsarist and Soviet achievements from Peter the Great’s “modernization” to Stalin’s victory in WWII; 3) insistence on a unique and superior civilization; 4) glorification of the state and a cult of Putin; and 5) aggressive opposition to the liberal international order while favoring some sort of multipolarity and regional spheres of influence, including a Eurasian framework.

China and Russia each have demonized the United States since the Obama administration, insisting it is driven by a distorted “Cold War mentality.” In the case of Russia, the demonization is more unvarnished, whether it is of Obama’s administration or of the U.S. under Trump with nary a mention of his responsibility. Silence greets those who would search for comparisons of Russian and Chinese national identities or even of the legacies of traditional communism. Attempts to group Russia and China under one overarching umbrella leave vague the identity in “Greater Eurasia” or a “Grand Eurasian Partnership.” Russia’s close ties to China and growing support for North Korea were not matched by rhetoric of civilizational affinity. There was silence about national identity gaps. If indirect criticisms were raised, at times, about policy choices in Beijing and Pyongyang, there was no reference to how domestic factors in either of these countries were responsible. That kind of criticism was reserved for the United States, the sole target of identity enmity. Biden was presented with no hint of Russian cooperation on any regional priority, such as

boosting alliances and multilateralism rooted in them; forming a Quad Plus in the Indo-Pacific; denuclearizing and containing North Korean aggression; and restraining China's "wolf warrior" behavior. If vestiges of interest in wooing Putin survived in Japan and South Korea, they drew neither sympathy from the Biden administration nor reciprocity from Putin. Russian claims to have partners for a Greater Eurasian identity have receded, as one-by-one the candidates disappeared from the narrative.

The crux of Russian narratives on the Indo-Pacific is that the U.S. is desperate to maintain its fading hegemony and, thus, goes all out to contain Russia as well as China, but Russia can be on the offensive because other states share its concerns, China is not a hegemonic threat, and Russia plays a prominent role in multipolarity. As these pretenses have been peeled away, Putin may be left without any way to differentiate Eurasianism from Sinocentrism, with no pretext of working with South Korea as well as North Korea for Northeast Asian regionalism, and with the loss of India as the anchor in thinking about multipolarity and plural civilizational centers. The Biden administration's expected Indo-Pacific strategy and identity are certain to be taken as a threat to Putin's "Turn to the East" and Greater Eurasianism.

Tanvi Madan, "The Coronavirus: Fueling Concerns and Contrasts between India and China"

Rather than change perceptions, Beijing's handling of a pandemic has increased the largely skeptical views of the country that prevail in India. This trend was bolstered by the worst boundary crisis between the two countries since they fought a war in 1962. The pandemic and the boundary crisis together ensured that the competitive and conflictual elements of the India-China relationship have been front and center over the last year. They reinforced and accelerated concerns in India about China's lack of transparency, its uncertain commitment to the rules-based order, as well as its growing influence in the Indo-Pacific and in international institutions. Beijing's domestic and international approach to the pandemic fueled Delhi's existing strategic and economic concerns about China. Strategically, Delhi worried that Beijing would take advantage of the pandemic—particularly due to its role in the medical supplies production chain, as well as its relatively earlier recovery—in order to increase its influence among India's neighbors in South Asia and the Indian Ocean region. An additional worry was China portraying its system of governance, and its global and regional leadership role, as more effective at the expense of others, especially democracies such as the U.S. and India. Beijing's approach vis-à-vis the WHO reinforced concerns about how China would use its influence in regional and global institutions. Due to supply chain disruptions, the pandemic also amplified Indian economic anxieties, including overdependence on China for industrial inputs—particularly India's pharmaceutical sector. There was also concern about Chinese entities taking advantage of the crisis—and China's own earlier recovery—to acquire vulnerable Indian companies. The Indian establishment beyond the state, which shared many of these concerns, was more vocal in its criticism of China. A line of argument previously rarely made was that China's lack of democracy was part of the problem. In a 2019 poll, only 23 percent of Indians surveyed had a favorable view of China. The pandemic caused anti-China sentiment to spike.

Any success Chinese public diplomacy efforts might have had was overshadowed by what came next: the most serious boundary crisis between China and India in decades. It has involved a face-off at multiple locations rather than just one, some territory that has not been contested for decades, larger deployments, a higher level of aggression, and the first fatalities and the first firing at the boundary in decades. The fatal June clash made clear that the boundary agreements, norms, and protocols that Delhi and Beijing had put in place between 1993 and 2013 to avoid just such escalations had been violated, occurring even as Beijing took an assertive stance on a number of fronts, including vis-à-vis Hong Kong, Taiwan, Australia, Canada, Japan, as well as the South China Sea. Analysts speculated that China's full-court press against a number of countries might stem either from: 1) Xi Jinping trying to demonstrate resolve or strength, in the face of domestic concern and international criticism of his regime's handling of the coronavirus pandemic; or 2) Beijing's desire to take advantage of other countries, including the U.S., being on the backfoot or distracted due to the coronavirus. While Beijing is seeking a restoration of the status quo ante in the relationship, Delhi has made clear that what it wants is a restoration of the status quo ante at the boundary—the boundary issue and the broader relationship cannot be separated. There has been considerable damage to Indians' trust in China. It has hardened official views of China, and it has weakened the hands of those in policymaking circles who argued for more engagement with China or that economic ties would help alleviate political strains. Indian public sentiment on China, already sour due to the pandemic, deteriorated further because of the killing of Indian soldiers. This resulted in calls to boycott Chinese products, partners, and sponsors.

The increased Indian concerns have had at least three consequences beyond the more competitive view of China: first domestic policy changes; second, doubling down on like-minded partnerships; and third, active counter-COVID diplomacy. Arguably, if a year ago, one could describe India's approach as competitive engagement, today perhaps a better term is competitive coexistence. Policy consequences have resulted from the intensification of Indian concerns about: 1) economic overdependence on and exposure to China; 2) inroads that Chinese companies—particularly those with close links with the state—have made into certain Indian economic sectors that are sensitive; and 3) avenues of Chinese influence in the country. This has led to a slew of measures that will restrict or scrutinize Chinese activities in the economic, technology, telecommunications, public diplomacy, and education sectors. There have been questions about India's ability to reduce dependence on China, and the costs that will entail—particularly as India deals with the economic fallout of the pandemic. There are also concerns about supply disruptions, especially since Modi has been emphasizing the importance of India playing a greater role in global value chains. Others have questioned the government's motives, suggesting these moves stem from a protectionist impulse and are reminiscent of pre-liberalization import substitution policies. And there has been anxiety in some quarters of the technology sector because China has been a major source of investment for Indian startups. Former Indian officials have acknowledged that these restrictions will hurt India, but have argued that it is still worthwhile to take these steps to reduce Indian exposure to and overdependence on China.

India is doubling down on partnerships with like-minded countries such as the U.S., Australia, Japan, France, and to some extent South Korea, the United Kingdom, and Russia. Tackling national security, health, and economic crises, which have exacerbated its resource constraints, helps India: 1) enhance its own capabilities; 2) balance and deter China; and 3) ensure that a rules-based and multipolar order prevails in the region. Over the last year, India has deepened ties, including with the U.S., being in close touch with Washington during the boundary crisis, and seeing the U.S. as a helpful source of diplomatic support, military equipment, and intelligence. Momentum has not flagged with the transition in Washington. Delhi has also deepened its cooperation with Australia, Japan, and the U.S. via the quadrilateral dialogue or “Quad.” Outcomes of the March summit included a vaccine initiative (more on this below), and a critical and emerging technology working group that, among other things, will address critical infrastructure and supply chain resilience.

India’s counter-COVID diplomacy has had multiple objectives, such as countering China’s attempts to increase its influence. This diplomacy also seeks to bolster India’s image as both a provider of global public goods and first responder in its neighborhood, and (taking advantage of its partners’ concerns about China) an attractive alternative destination for investment from their countries. The Indian government has been proactive during the pandemic with diplomatic outreach, economic aid, technical assistance, and the provision of medical supplies. India’s status as the largest manufacturer of vaccines in the world has given it the opportunity to assist its neighbors, contribute to the WHO’s COVAX facility, and highlight the delivery of India-produced vaccines procured by countries around the world.

The Chinese response, particularly to India’s policy measures, has been a mix of persuasion, objections, warnings, and suggestions of legal action or retaliation. The government has objected to a number of the steps India has taken to restrict Chinese activities. The Chinese ambassador has reminded Indians of how dependent they are on imports of certain products from China, and warned that even non-Chinese multinational companies operating in India will be adversely affected. Chinese state-linked media outlets have gone further, suggesting that Beijing could retaliate. That, however, would likely only prove the Indian government’s point and could lead to further Indian restrictions. There have been some questions about whether progress in disengagement talks would lead to India reversing some of its policy changes. It is possible, even likely, that if the border situation improves, Delhi would ease some restrictions and approve certain Chinese investments—but only in non-sensitive sectors. Tensions may subside, but the relationship will never be the same again. Delhi will not stop engaging Beijing, but the nature, extent, and expectations of that engagement will change.

Scott Snyder, “The Pandemic and its Impact on the South Korea-Japan Identity Clash”

The pandemic has accelerated deepening rivalry between the United States and China and reinforced political paralysis between Japan and South Korea, primarily by providing a pretext for privileging domestic concerns and constituencies at the expense of international relations. Snyder reviews the deepening of identity-based challenges facing Japan-South Korea relations prior to 2020, examines the conditions generated by leadership responses in both countries to the pandemic, identifies missed opportunities for pandemic-related

cooperation, and addresses challenges and opportunities facing the relationship in the context of anticipated recovery from the pandemic as well as the shifting geopolitical environment as tensions mount between China and the United States. The Japan-South Korea relationship was in a downward spiral following the deterioration under Abe Shinzo and Moon Jae-in. A series of incidents soured public attitudes in both countries toward the other and eroded cooperative relationships between the defense and business communities, two constituencies that had provided ballast for the relationship during prior periods of tension.

The entanglement of the relationship in South Korea's increasingly polarized domestic politics contributed to the downturn. The deterioration of the relationship and conflict over historical issues led the Japanese government to impose restrictions on the export of three chemicals critical to the manufacture of South Korean semiconductors and the removal of South Korea from Japan's White List of closest trading partners, which generated strong public backlash in South Korea, including boycotts against Japanese firms and a dramatic downturn in tourism between the two countries. The relationship remained in the deep freeze. Putting a floor on the deterioration of relations resulted in a stalemate.

South Korea's response to COVID-19 benefited from high public trust in specialized expertise earned on the basis of performance in the handling of MERS. The utility of mask-wearing was already widely accepted, and further strengthened by guidance from the KCDC emphasizing the importance of PPE, social distancing, and hand washing. Thanks to its mobilization of public-private cooperation, technology-driven approach, effective treatment practices, culture of mask-wearing, and the relatively high compliance of the public with government instructions, South Korea avoided a China-style lockdown in its initial response to COVID-19. A second wave challenged its initial success and led to a stricter round of social distancing guidelines through the winter of 2020-21, but by and large the KCDC successfully kept the daily rate of infections below one thousand. The relatively slow procurement of vaccine generated domestic criticism, but this policy failure did not have a major impact on international perceptions. It is unclear whether the Blue House reached out to Japan to request its participation in Moon's proposed regional healthcare body. Instead, the single major initiative to reach out involved using the summer 2021 Olympics as a catalyst for diplomacy toward North Korea.

In its initial stages, the Japanese government's response focused on the application of quarantines and travel bans to prevent the virus from entering Japan, while relying on a "cluster-based approach" to identify and address sources of spread. Japan has grappled with major challenges in the course of its response to the crisis. The greatest concerns revolved around securing adequate PPE, ICU capacity, and equipment necessary to properly treat COVID-19, as well as the risk of overtaxing healthcare professionals. In contrast to the strong centralized role of the KCDC, Japan's public health system is relatively decentralized. Despite concerns, it emerged from the first wave of COVID-19 in relatively good shape. Abe touted Japan's cluster-based approach to handling the crisis as worthy of emulation. The Japanese model faced a more severe test in early 2021, with a third wave of cases requiring another state of emergency. This time, Japan was much better prepared on the testing front, but faced more significant challenges in terms of volume of patients and stress on the broader hospital system. Still, the response was relatively effective in containing the virus.

The main obstacles to the improvement of the Japan-South Korea relationship have remained during the pandemic as a result of the two leaders' preoccupation with domestic concerns. Snyder stresses missed opportunities. As one of the first nations to find itself on the other side of the curve, South Korea had the opportunity to reach out to Japan when it was still experiencing its first wave of infections. A second missed opportunity came in the fall of 2020, when Moon recommended to the General Assembly the establishment of a regional organization to respond to the pandemic but failed to pursue specific follow-ups and did not utilize the proposal as a vehicle for improving relations with Japan, despite the necessity of Japan's support. Yet the Moon administration has attempted to reset its relationship with Japan following Biden's electoral victory, aligning closely with its diplomatic priority of engagement with North Korea.

Though identity-focused conflicts over history and politics caused by the downturn in relations in 2018 remain to be tackled, the easing of the pandemic will remove some obstacles that have contributed to the current stalemate. Biden's leadership of trilateral U.S.-Japan-South Korea coordination in Northeast Asia has already provided a basis for renewed relations. The Japanese government will likely wait for the Moon administration to freeze enforcement of the Supreme Court verdicts or identify means other than seizing Japanese corporate assets in South Korea for compensating victims. The Japanese government will also continue to watch for signals that the Moon administration does not intend to challenge the legitimacy of the 1965 Normalization Treaty and Claims Agreement. Post-pandemic recovery efforts might provide both sides with an excuse to remove impediments to more active economic and trade relations in an effort to jumpstart both economies. One area of hope might be the negotiation of a post-pandemic economic recovery package built around either bilateral trade or the prospect of bringing South Korea into CPTPP. More likely, the pandemic will continue to interfere with such efforts despite Biden administration efforts to support an improvement of the relationship. Prospects for a dramatic recovery of the relationship are limited under the leadership of Moon or Suga.

Dong Xiangrong, "Shared History, Divided Consciousness: The Origins of the Sino-ROK Cultural Clash"

In 2020, not a few disputes arose between netizens in China and South Korea over such things as the origin of pickled vegetables (paocai in Chinese, kimchi in Korean) and the Van Fleet award acceptance speech of South Korea's BTS singing group. Different interpretations of a few thousand years of bilateral interactions—cultural, political, militaristic, historical, and other topics mutually entangling the two—have led to sharply vitriolic disputes between netizens in the two countries. Tensions over national identity issues are rooted in how history is understood and the enduring salience of cultural symbols of identity tied to history. A thousand-year cultural legacy should strengthen shared identity and tighten cultural connections. However, against today's geopolitical and geo-economical background, shared cultural connections became the focus of contention. Was the war our "War to Resist U.S. Aggression and Aid Korea" or your "Korean War?" Different war memories led to widespread, fervent protest from Chinese fans against the BTS speech.

The Samsung Group and Hyundai Group have had to react to the voices of customers and stop showing an ad featuring BTS. When Seoul and Washington decided to deploy THAAD in South Korea, Seoul had to face negative economic consequences of its deteriorating relationship with China. Geopolitical differences and historical memories are now capable of arousing economic retaliation. The influence of values, geopolitics, differences in level of development, and other factors, along with cultural clashes intersecting with political and security topics, mutually stir up relations between the two peoples. Security confrontations and ideological divergence have severely worsened public relations. Disputes, such as the Korean War and THAAD, are important backdrops for the exacerbation of cultural rifts.

In the pickled vegetable dispute, South Korean netizens accused China of stealing South Korea's cultural heritage, even arguing that "Kimchi is Korean, Covid-19 is Chinese." Besides pickles, Chinese and South Korean netizens have had heated debates about traditional festivals, medicines, clothing, etc. From Chinese characters to printing, from Confucianism to family values, the cultural influence was so longstanding and profound that Koreans consider it part of their own culture. There should be no surprise for those aware of South Korean perceptions of bilateral cultural relations when disputes arise with China over traditional festivals, traditional food, traditional medicine, traditional clothing.

Dong borrows the concept of "superficial friends" to analyze Sino-Korean relations. The two sides have repeatedly temporarily alleviated conflicts of interest by using false sweet words to describe the bilateral relationship, but this "superficial friend" strategy led to frequent ups and downs in relations. In 1992, they bid farewell to the status of "true enemies" and tried to develop friendly relations, reaching consensus on language to manage the issues of greatest concern (China's attention to the One China principle, Korea's concern for the unification of the Korean Peninsula). The problem was that when external threats arose, South Korea would find that China was not a true partner. China also found that its own security concerns have been seriously infringed upon by the joint actions of South Korea and the U.S.

The 2010 attack on the Cheonan and shelling of Yeonpyeong Island led to a marked shift in relations. From South Korea's point of view, no matter how high the trade volume, no matter how "strategic" the bilateral relationship, it cannot match the traditional "blood alliance" relationship between China and North Korea. Some Americans and Koreans concluded that these two events led to a cognitive gap between China and South Korea. The U.S.-ROK THAAD project later seriously damaged China's strategic security interests and China-ROK relations, which have yet to emerge from the shadow of THAAD. In a Pew survey, only 14 percent of South Koreans rated their country's resistance to the epidemic negatively, compared with 79 percent for China, an effect of the unfavorable impression toward China.

The impact of the BTS speech on China-South Korea relations is minor if we compare it to that of THAAD in 2016, which became important background for the occurrence of cultural clashes. The BTS case is a symbolic event that highlights the fragility of bilateral public relations under the smokescreen of "superficial friends." The year 2020 marks the 70th anniversary of the Korean War. When talking about "sacrifice," BTS think of the civilian South Koreans and soldiers of the ROK and U.S., while the Chinese netizens think of thousands of

volunteer Chinese soldiers sacrificed in the war. Different war memories remind Chinese netizens that South Korea's security interests are closely tied with the U.S., the most important strategic rival of China. It becomes clear that South Korea is an imaginary friend. More than twice as many respondents believe that the China-DPRK alliance hinders the relationship between China and the ROK, as believe it would be hindered by the ROK-U.S. alliance. Political and social systems, historical issues, and security alliance rank, are factors which can hardly be changed in a short time. The development of bilateral relations needs to overcome great obstacles.

With the United States embroiled in Iraq, South Korea felt less pressure to go to war and was less eager to cooperate with China, ignoring offers to resume the Six-Party Talks in 2008. Together with the pro-American and pro-Japanese Lee Myung-bak administration in 2008, the short "true friendship" between China and South Korea came to an end. As China's economic level caught up, South Koreans felt huge competitive pressure, which generated a sense of crisis and unfriendly feelings towards China. The economic relationship is shifting from one based on complementarity to one based on competition, which will bring new tensions. After the THAAD deployment, Chinese-made cars and some Japanese cars replaced South Korean cars. Whether South Korean cars can recover depends on their cost performance and the trend of China-South Korea relations and China-Japan relations. Japanese cars in China have experienced decline and recovery since the Diaoyu Island issue. Will Korean cars experience the same wave? Friction is likely to increase as competition between China and South Korea intensifies in key industries. Identity clashes are inevitable, given clashing interpretations of history, deep cultural sensitivities, and geopolitical and economic divides.

The Sino-U.S. National Identity Gap and Bilateral Relations

Danielle F. S. Cohen¹

The national identity gap between China and the United States has become increasingly apparent. Under Xi Jinping, China has sought to reclaim its historical greatness and proclaimed itself to be a responsible great power that offers a credible alternative to Western values, while also promoting increasingly authoritarian policies at home, complete with extensive repression in Xinjiang and renewed state control of the economy. Assertions of U.S. national identity were somewhat muted under Donald Trump, confused by the battle between those who supported the administration's "America First" policy, its transactional approach to foreign affairs, and its deemphasis on human rights and democracy promotion in U.S. foreign policy, and those who worried about the global repercussions of an isolationist, nativist policy. For a time, the United States seemed more preoccupied with its trade war with China than with claims that the United States should act as the global protector of human rights and democracy.

The COVID-19 pandemic further complicated already tense Sino–U.S. relations and called both countries' national identities into question. While China had, as of spring 2021, succeeded in keeping its COVID-19 outbreak remarkably small, the damage caused by its initial suppression of medical reports, along with successful virus mitigation in a number of non-authoritarian states, called into question its claim to be a responsible world power on the basis of its pandemic performance. Meanwhile, the Trump administration failed to protect U.S. citizens from catastrophic death tolls and prevented the United States from taking a leading role in resolving this global crisis. In January 2021, the Biden administration took office with a focus on swiftly ending the pandemic, while also reasserting the traditional U.S. global leadership role.

When combined with its assessment of U.S. power after the 2008 Global Financial Crisis and of U.S. domestic social and political instability evident throughout 2020–2021, the pandemic has strengthened China's perceptions of the United States as a country in decline, and of China as a "risen" great power that should now play a major role in shaping the global order. At the same time, although U.S. policy towards China remains firm despite the presidential transition, the underlying rationale has shifted from the "America First" approach of the Trump administration to the democratic values-infused approach of the Biden administration. As the world struggles to move beyond the pandemic, the national identities of China and the United States are increasingly defined in opposition to each other and seem likely to drive an ever more challenging bilateral relationship in the coming years.

Chinese National Identity

Since coming to power in November 2012, Chinese leader Xi Jinping has emphatically asserted China's role as a responsible great power with the right to play a decisive role in global governance structures. Early in his leadership, Xi urged his country to achieve the "China Dream" of "the great revival of the Chinese nation."² This identity of rejuvenated greatness, which synthesizes historical legitimacy and inevitability with civilizational and economic superiority, has been consolidated into "Xi Jinping Thought" and permeates China's foreign policy.

In his 2017 speech to the 19th Party Congress, Xi Jinping argued that “socialism with Chinese characteristics” had entered a “new era,” and could serve as a political-economic model for states that “want to speed up their development while preserving their independence.” He promised that this new era would be one “that sees China moving closer to center stage” in international affairs. The key implementation of this approach in foreign policy was in the establishment of “a community with a shared future for mankind.” China pledged to advance not only its own interests, but those of others around the globe, and to “forg[e] a new form of international relations featuring mutual respect, fairness, justice, and win-win cooperation.”³

The PRC’s new identity as an economic powerhouse has gradually replaced its longstanding identity as the leader among developing states.⁴ China’s economic boom catapulted its GDP per capita from \$377.39 in 1993 to \$10,216.63 in 2019 (in current U.S. dollars), landing it solidly among the ranks of upper middle-income countries.⁵ In 2010, China surpassed Japan to become the world’s second-largest economy, a position that China believes supports its quest to take a more active role in global economic governance, particularly in the wake of the Global Financial Crisis of 2008.⁶ China’s identity as an economic juggernaut underlies its ambitious Belt and Road Initiative, which funds infrastructure projects around the world in an effort to increase regional and global integration. China’s interest in global trade also led to jarring dissonance during the Trump administration: while the United States advanced protectionist policies, the Chinese repeatedly declared their support for multilateral free trade agreements. The recently concluded RCEP negotiations indicate Chinese support for regional trade agreements; importantly, the agreement is the first to include China, Japan, and South Korea.

China increasingly sees itself as “already risen,” rather than “peacefully rising,” and is starting to reap the rewards.⁷ China is no longer biding its time, but is instead more assertively seizing global influence. In the Chinese view, the 2008 Global Financial Crisis and failed U.S. policy in the Middle East exposed cracks in U.S. global primacy.⁸ Donald Trump’s election, on an isolationist platform, reinforced the sense that the U.S.-led era is nearing an end. While only recently China insisted its aims were limited to regional influence, over the past several years it has increasingly asserted its global influence. With the successful creation of the AIIB and the BRICS-organized New Development Bank, as well as the successful conclusion of RCEP, China is starting to rewrite the rules of the international system.

China’s identity as a “risen” great power informs both its views of its place in the international system and its relationship with the United States. In a 2020 roundtable in *Guojia Anquan Yanjiu*, Chinese analysts agreed that the world is shifting from the unipolar moment of the post-Cold War era to a new era of multipolarity. Ultimately, these analysts believe the world will be characterized by “two superpowers” (China and the United States) and “many strong powers,” but they differ in their views of whether the world has yet reached this stage and, if not, when it is likely to do so.⁹ The Chinese government’s view of its relative equality to the United States was on full view during the tense opening session of the March 2021 U.S.-China meeting in Anchorage, Alaska. In his opening remarks, Chinese Director of the Office of the Central Commission for Foreign Affairs Yang Jiechi twice asserted that “China and the United States are *both* great powers” (大国, translated in some sources as “major powers”) that bear important global responsibilities; his deliberate emphasis on “both” (都) was clear in the recording of the event.¹⁰

The Impact of China's National Identity on Its Perceptions of U.S.-China Relations

China views itself as a “risen” great power with the right and responsibility to shape the global system. Its growing confidence in its own political-economic model and its skepticism of the U.S. model are particularly evident in three aspects: 1) its analysis of the shift in the relative power of China and the United States brought about by the 2008 Global Financial Crisis; 2) its assessment of U.S. domestic unrest in light of the 2020 Black Lives Matter protests and the 2021 Capitol Insurrection; and 3) its views about the implications of Chinese and U.S. management of the COVID-19 pandemic for post-pandemic global relations.

The 2008-2009 Global Financial Crisis

Many Chinese analysts perceive the 2008-2009 Global Financial Crisis as a turning point that revealed the fundamental failures of U.S.-style capitalism and demonstrated that the United States is in decline. The importance of the Global Financial Crisis as a turning point is evident in the prominent role it plays in Chinese analysis as an indicator of world-historical time. It is common for articles on the global world order to distinguish between “2008年金融危机以前” (before the 2008 financial crisis) or “2008年金融危机以后” (after the 2008 financial crisis), much in the way Chinese analysis commonly divides time into before and after reform and opening (改革开放以前; 改革开放以后) and U.S. articles talk about “the post-Cold War era” or “post-September 11th” foreign policy. The frequency with which the Global Financial Crisis is used to orient the reader in time indicates exactly how crucial a turning point Chinese analysts believe it to be.

Chinese observers believe that the Global Financial Crisis supports their long-held position that the U.S. model of capitalism is inferior to the Chinese “socialist market economy.” The crisis was set off by the failure of mortgage-backed securities enabled by excessively loose mortgage practices that allowed borrowers with dubious credit histories or limited incomes to borrow enormous sums of money; when the housing bubble burst, these borrowers went “underwater” because the amount owed on the mortgage exceeded the value of the property. U.S. observers had long criticized China for its “excessive” savings rate and urged it to increase consumer spending; as it turned out, the U.S. economy—and then that of much of Europe—was brought down by a system that made it far too easy for homebuyers to consume beyond their means. U.S. GDP growth was -0.137 percent in 2008 and -2.537 percent in 2009, before rebounding; in the European Union, which was hit slightly later, GDP growth was .0645 percent in 2008 and -4.326 percent in 2009. By contrast, China flourished. Although China has never since achieved the peak GDP growth of 14.231 percent it reached in 2007, its GDP growth in 2008 and 2009 was 9.651 percent and 9.399 percent, respectively, indicating that its growth continued at a rapid pace despite the trans-Atlantic crisis.¹¹

Notwithstanding the subsequent recovery in the United States and the European Union, Chinese analysts believe that the Global Financial Crisis indicated the fundamental failures of the neoliberal model, both as an economic philosophy and also as a political philosophy that emphasizes human rights, democracy, and freedom. Da Wei and Zhou Wuhua contend that the deep flaws of neoliberalism have become increasingly evident since the

2008 Global Financial Crisis: namely, the inequitable distribution that has occurred within developed countries. This inequitable distribution has produced clear “winners” and “losers” within the United States. As the American public became increasingly critical of neoliberalism, both on the right and on the left, they began to cast China as the scapegoat for domestic U.S. economic problems, undermining bilateral relations. Meanwhile, the U.S. government, which has urged China to undertake liberal economic reforms for the past several decades, has objected to China’s emphasis on state direction of the economy in accordance with its establishment of a “socialist market economy.”¹² The implication is clear: while the U.S. neoliberal model has faltered, the Chinese economic model has been clearly more successful at maintaining rapid, more equitable growth.

By demonstrating weaknesses in the U.S. model, Chinese analysts believe the Global Financial Crisis opened up an opportunity for China to emerge as a new global economic power. The Belt and Road Initiative, first announced in 2013 as a response to the Obama administration’s “pivot to Asia,” had by 2020 grown to include project negotiations and agreements with more than sixty countries and Chinese expenditures of approximately \$200 billion.¹³ The Trump administration’s protectionist policies brought China an opportunity to position itself as a global defender of the rules-based multilateral free trade system. While some worry that China is engaging in “debt-trap diplomacy,” others have praised its efforts. South African trade negotiator Faizel Ismail contends, “China’s response to the U.S. attempts to contain its rise and force it to converge to the Western liberal capitalist model has produced interesting ideas and insights towards building an alternative form or forms of multilateralism that are based on values and create the building blocks of a new global governance for the 21st century.”¹⁴ He praises the Belt and Road Initiative, quoting, uncritically, Chinese government assertions that this policy advances free trade and a “rules based, open, transparent, inclusive and non-discriminatory” global economy.¹⁵ By the start of the 2020s, China had convinced an increasing number of global policymakers to take a careful look at its vision of the global economic order—one that contrasts with the model traditionally posed by the United States.

Social and Political Unrest in the United States

Chinese leaders are also increasingly confident that China has developed a demonstrably superior political model to that of the United States, even as Xi has implemented more authoritarian policies.¹⁶ (If Chinese analysts feel differently, they are no longer at liberty to say so.) China has long condemned U.S. assertions of “universal human rights,” arguing that this imposes Western values on a global audience and insisting that rights to subsistence and development are equally as important as the civil liberties often prioritized by Americans.¹⁷ Recent events in the United States have provided Chinese observers with an opportunity to argue that the U.S. political system has failed to ensure equal human rights for all of its inhabitants. In a 2020 article published in the wake of the protests following the murder of George Floyd, Xie Tao contended that U.S. national identity is based on three components: white supremacy, democratic supremacy, and global hegemony (all of which are challenged by the rise of China).¹⁸ In the March bilateral meeting, Yang Jiechi pointedly told the U.S. delegation, “The challenges facing the United States in human rights are deep-seated. They did not just emerge over the past four years, such as Black Lives Matter.”¹⁹ He then suggested that the United States get its own house in order before criticizing other countries’ human rights records. These Chinese critiques are, in many ways, reminiscent

of the Cold War, when, Doug McAdam argues, “locked in an intense ideological struggle with the U.S.S.R. for influence among the emerging third-world nations, American racism suddenly took on international significance as an effective propaganda weapon of the Communists.”²⁰ Chinese interlocutors have seized on social unrest brought to the fore by the summer 2020 protests across the United States as an opportunity to point to what they see as hypocrisy in U.S. attempts to hold itself up as a model of human rights.

Chinese observers also assert that the Chinese political model is better able to ensure domestic stability, which has long been the government’s key priority. In many ways, Xie’s biggest critique of the 2020 protests is that they led to “wide-scale riots” (大规模骚乱).²¹ Xie argues that social division in the United States, based on economic disparities and “identity politics,” has led to political polarization “unseen for a century.”²² Chinese observers point to the political turmoil surrounding Donald Trump’s months-long refusal to concede the 2020 election, which culminated in the violent Capitol Insurrection of January 6, 2021, as further evidence of the disarray brought about by the U.S. political system. In his March statement, Yang Jiechi took advantage of this unrest to criticize the United States. He asserted that China and the United States each have their own “style” of democracy and that it is up to “the people of the world...to evaluate how the United States has done in advancing its own democracy.” He then contended that the Chinese leadership has strong support from the Chinese population; by contrast, he argued, “Many people within the United States actually have little confidence in the democracy of the United States.”²³ Taken together, these statements point to political polarization, the disputed election, and the Capitol Insurrection as evidence of the weakness of American democracy. But while Yang is certainly taking advantage of U.S. weaknesses to push the official Chinese narrative, it is nevertheless the case that Chinese leaders sincerely believe their political model is better able to achieve social order and political stability.

The COVID-19 Pandemic

Overshadowing all other analysis at present is the Chinese belief that the efforts by China and the United States to manage the COVID-19 pandemic indisputably show the superiority of the Chinese government’s model of governance and the view that the pandemic has hastened the power shift between China and the United States. Although questions remain about whether the pandemic might have been contained if the Chinese government had acted more quickly in response to the Wuhan outbreak, there is no doubt that its mitigation efforts have been enormously successful. As of late April 2021, China had reported a total of 103,464 confirmed cases (71.12 per million people) and 4,856 deaths (3.37 per million people).²⁴ The Chinese government established quarantine facilities to isolate infected patients. When small numbers of cases have been found, authorities have acted quickly to rapidly implement mass testing. In May 2020, the Chinese government tested between 9-11 million people in Wuhan in 10 days; in October 2020, they tested the 9 million residents of Qingdao in just five days, after a cluster of 12 cases was found.²⁵ Chinese mitigation efforts were helped by a number of factors: the government’s ability to order people to remain home during lockdowns or report to quarantine facilities, and the bureaucratic infrastructure to enforce these measures; its ability to enforce a QR system that required people to show that they are healthy before entering public places; and a public that already routinely wore face masks during flu season and on high pollution days.²⁶ The result is a country that went over a month without a report of a locally transmitted case in early 2021, and where people are largely able to go about their lives.

By contrast, U.S. efforts to mitigate the spread of the virus were a catastrophic failure. By late April 2021, the United States had reported 31,656,636 confirmed cases (96,812.26 per million) and 565,809 deaths (1,727.84 per million)—some 1,361 times the number of Chinese cases and 513 times the number of deaths on a per capita basis.²⁷ The public health directive to wear a face mask became a divisive partisan issue. Even as major urban school districts reopened their school buildings for in-person instruction in the spring of 2021, many children remained entirely remote or in hybrid instruction. The official unemployment rate of 6.2 percent remained well above the pre-pandemic rate of 3.5 percent; many people—disproportionately women—who were forced to leave paid labor to care for children were not reflected in these official statistics.²⁸ Although the accelerating rollout of COVID-19 vaccines brought hope that the United States would be able to vaccinate its way out of the crisis, it was clear that the death and devastation wrought by the pandemic had been much more widespread than in China.

With its domestic outbreak largely under control, China gained an upper hand in the so-called “vaccine diplomacy.” As of early March 2021, China had made deals to supply more than 45 countries with a total of approximately 500 million doses of its domestically produced vaccines in 2021, 25 of which had already begun their vaccination campaigns. These are largely low- and middle-income countries, and include most of the countries of South America and Southeast Asia, Mexico, Egypt, Ethiopia, Turkey, Pakistan, Belarus, Ukraine, Hungary, and Serbia.²⁹ Meanwhile, the United States was busy inoculating its own population with its three approved vaccines to blunt the spread of the virus, although it will presumably share its vaccine supply once its domestic vaccination process is complete (it has contracted for a number of doses that well exceeds the population of the United States). The Chinese Ministry of Foreign Affairs rejects the concept of vaccine diplomacy, stating that the vaccine is a “global public good.”³⁰ Nevertheless, the implication is clear: when faced with a global crisis, it is China that has the capacity to provide the global public good, not the United States.

Chinese analysts contend that China’s efforts to combat the global pandemic indicate its commitment to seek multilateral cooperation to address shared challenges. According to Ruan Zongze, China championed a coordinated global approach from the very beginning of the pandemic, while the United States under Donald Trump initially adopted an isolationist “America First” policy. By doing so, Ruan argues, China demonstrated its willingness to fulfill its responsibilities as a major world power.³¹ Other Chinese observers have argued that the disparate COVID-19 experiences of China and the United States indicate that the pandemic has hastened the shift in the global power distribution that was already underway. According to Shi Yinhong, both China and the United States have suffered as a result of the pandemic. China has borne enormous social and economic costs, in part because of damage to the global economy, and the Chinese government must pull back in other areas in order to prioritize economic growth and virus mitigation. However, the United States (along with some of its major allies) has faced substantially higher political and economic costs given its failure to control the pandemic. Consequently, Shi argues, the shift in the balance of power has accelerated abruptly, which creates unprecedented opportunities for China in the military, economic, diplomatic, and ideological spheres.³²

From the Chinese perspective, the 2008 Global Financial Crisis, the social and political unrest in the United States that intensified in 2020-2021, and the COVID-19 pandemic, taken together, support the Chinese image of themselves as a risen power with a superior political-economic model to that of the United States, a “has-been” in decline. It is, of course, hard to determine how much of these arguments are just conveniences to support the orthodoxies of Xi Jinping Thought. Chinese analysts do not—and largely cannot—apply the same critical lens to China that they apply to the United States. It is also clearly the case that official public critiques of the United States, like that made by Yang Jiechi, are designed for a domestic audience and for global posturing. When Yang mentions Black Lives Matter, he does so not because the Chinese government strongly supports racial or ethnic minorities who make claims of discriminatory treatment at the hands of their government, but because he sees an opportunity to score points in the game of global influence by pointing to American hypocrisy. If he can demonstrate that American claims are, in fact, hollow, there is a chance that other countries may be willing to consider the Chinese claim that the values of the CCP “are the same as the common values of humanity...: peace, development, fairness, justice, freedom, and democracy.”³³ And even though international observers are no doubt aware of Chinese policies in Hong Kong, Tibet, and Xinjiang, among other places, that belie these claims, they just might be willing to conclude that the United States is no better a model.

U.S. National Identity

U.S. national identity has become an increasingly slippery concept over the past several years as intense partisan polarization has made it difficult to determine whether there is even a unitary national identity to discuss. On the right, Trump’s “America First” policy challenged many of the traditional tenets of U.S. national identity, particularly the view that the United States should act as a global protector that works to advance human rights and democratic values around the globe. Voices on the left challenged Americans to rethink *who* defines the national identity, pointing out how much of U.S. foreign policy has been traditionally defined by a largely white elite. One could be forgiven for feeling a bit of whiplash as U.S. foreign policy swung in early 2021 from the xenophobic nationalism of the Trump administration to the more traditional policy of the Biden administration, which prioritized an active global role for the United States, cooperation with allies, and a commitment to international institutions. In this sense, Biden’s foreign policy will be far more consistent with that of past U.S. administrations, both Republican and Democratic.

A majority of Americans continue to support an active global role for the United States and believe that it should work to maintain its role as the sole global military superpower, although there are important partisan differences. In a 2019 Pew poll, conducted midway through the Trump administration—and just prior to the emergence of the global COVID-19 pandemic—a slight majority of U.S. adults (53 percent) agreed that “it’s best for the future of our country to be active in world affairs” while 46 percent of respondents agreed that “we should pay less attention to problems overseas.”³⁴ In the same poll, 61 percent of respondents agreed that the United States should strive to remain the sole military superpower. In both cases, there were significant partisan differences: Democratic and Democratic-leaning respondents were more likely to support an active global role for the United States and less likely to support efforts to continue U.S. global military dominance than their Republican counterparts.³⁵

Interestingly, there are signs that the view of the appropriate global role for the United States is changing. According to the poll, the youngest generation, which has come of age largely in the wake of the United States’ post-September 11th foreign policy and China’s emergence as a global power, is strikingly more willing to accept a future in which another country will be as militarily powerful as the United States, with 48 percent of those 18–29 years old finding such a scenario acceptable compared to only 27 percent of those 65 and older.³⁶ And while approximately 90 percent of respondents of all ages who identify as Democratic or lean Democratic agreed that “good diplomacy is the best way to ensure peace,” two-thirds of the youngest Republican or lean Republican respondents held this view as well, compared to only 38 percent of those 65 and older.³⁷ Taken together, these data suggest both a fractured view of the U.S. global role depending on party identification, and a substantial willingness among the youngest American adults to accept a more multipolar world.

Although the view of the United States as a global defender of democracy and human rights has long been a key aspect of the U.S. national identity, recent polling suggests that current support is relatively soft. When asked in a February 2021 Pew poll to identify “top priorities” for long-term U.S. foreign policy, only 34 percent of U.S. adults listed “promoting and defending human rights in other countries,” 28 percent listed “aiding refugees fleeing violence around the world,” and 20 percent listed “promoting democracy in other nations.” By contrast, more than 70 percent listed goals such as preventing terrorist attacks on the United States, reducing the spread of infectious diseases, and protecting U.S. jobs.³⁸ Whether these survey data reflect a fundamental reconceptualization by the U.S. public of the global role of the United States, or a more immediate response to the COVID-19 pandemic, the influence of Trump’s “America First” foreign policy, and a distaste for foreign intervention after the long wars in Afghanistan and Iraq, remains to be seen.

The Impact of U.S. National Identity on Its Perceptions of U.S.–China Relations

When it comes to U.S. relations with China, by contrast, the traditional aspects of U.S. national identity appear more robust. Americans may not be sure what, exactly, their current national identity is in a general sense, but it becomes easier to define as “not that” when faced with a Chinese “other.” A 2020 CSIS poll found that 54 percent of the U.S. public regards China as the biggest external threat to the United States, with Russia a distant second.³⁹ Anti-Chinese sentiment in the United States was notably high in 2020 due in significant part to the COVID-19 pandemic and Trump’s assertions that China was to blame; a summer 2020 Pew Research Center poll found that 73 percent of Americans held a negative view of China, mirroring significant recent upticks in countries such as Australia, the UK, South Korea, and in much of Western Europe.⁴⁰ Americans widely view China as an economic and ideological threat to the United States. When asked in February 2021 to list the first words that came to mind when they thought of China, 20 percent of respondents to one poll listed human rights and another 17 percent listed the political system, responses that did not vary significantly by party identification. Of those who listed human rights, nearly half specifically mentioned a lack of freedoms, while those who mentioned the political system split between describing China’s authoritarian government and its communism.⁴¹ In the 2020 CSIS poll, respondents indicated a substantial willingness

to risk other priorities in order to promote human rights in China with regard to Hong Kong, Tibet and Xinjiang, and Chinese dissidents.⁴² Together, these recent survey data suggest that the U.S. national identity as a globally active superpower that promotes human rights remains a strong influence on the public's views of China, even if this is perhaps less of a feature of general U.S. foreign policy than it once was.

Interestingly, however, foreign policy elites view China in significantly different terms than the general U.S. public, with important implications for U.S. foreign policy. According to 2020 Pew Research Center data, 62 percent of the general American public identified China's power and influence as a "major threat" to the United States, compared to only 46 percent of academic international relations experts, although similar majorities of each group agreed that the United States should promote human rights in China.⁴³ In the 2020 CSIS poll, the differences between the U.S. public and U.S. "thought leaders" were particularly noticeable when it came to questions about how much risk the United States should take on to protect its allies and partners. While both the U.S. public and U.S. thought leaders felt that it was important for the United States to take on substantial risk to defend other countries, U.S. thought leaders were willing, on average, to accept more risk. On a scale from 1 ("take no risk") to 10 ("take significant risk"), U.S. thought leaders rated Japan at 8.86 (compared to 6.88 among the U.S. public), Australia at 8.71 (compared to 6.38), South Korea at 8.60 (compared to 6.92), and Taiwan at 7.93 (compared to 6.69).⁴⁴ These differences are important because, although U.S. public opinion plays a role in shaping Congressional resolutions, elite views largely shape the foreign policy approach of the executive branch.

Although the Biden administration was still developing its foreign policy approach and China policy in early 2021, it was already apparent that it would revert to a more traditional understanding of U.S. national identity in which the United States plays an active global role in promoting human rights and defending democracy. In a February 2021 speech at the State Department, Joe Biden explicitly connected the threat posed by China to the two countries' ideological differences, declaring, "American leadership must meet this new moment of advancing authoritarianism, including the growing ambitions of China to rival the United States." Later in the speech, he described China as a challenge to U.S. "prosperity, security, and democratic values." To successfully manage this competition, he argued that the United States must work together with its allies and partners, and must pursue "diplomacy rooted in America's most cherished democratic values: defending freedom, championing opportunity, upholding universal rights, respecting the rule of law, and treating every person with dignity."⁴⁵ The vision of a foreign policy rooted in a U.S. identity as a strong defender of global freedom was clear.

This approach was further on display in U.S. Secretary of State Antony Blinken's opening remarks at the March 2021 bilateral Sino-U.S. summit, where he made clear that the United States was returning to its allies-focused, rules-based, globally involved approach, in which human rights would be a priority. Referencing his recent trip to meet with his counterparts in South Korea and Japan, strategically timed to occur just prior to the Sino-U.S. summit, Blinken asserted the Biden administration's commitment to "leading with diplomacy" and strengthening the multilateral "rules-based international order," while rejecting the "might makes right and winners take all" alternative. He further asserted that U.S. interests in Xinjiang, Taiwan, and Hong Kong—human rights and civil liberties concerns

to the United States, but “internal matters” to the Chinese—are inextricably tied to “the rules-based order that maintains global stability.”⁴⁶ His statement was a clear indication that the traditional U.S. national identity would inform the Biden administration’s foreign policy approach.

In the early months of the Biden administration, the defense of human rights appeared likely to play an important role in U.S. policy toward China. English-language reporting about Chinese internment camps in Xinjiang and the intensive surveillance of the Uyghur population has grown widespread since 2017, drawing extensive condemnation from the American public. Although the Trump administration’s foreign policy took a wavering approach to human rights in general, days before leaving office the Trump administration banned the import of cotton and tomatoes from Xinjiang.⁴⁷ On January 19, 2021, outgoing U.S. Secretary of State Mike Pompeo explicitly denounced China’s treatment of its Uyghur population, as well as other ethnic minority groups in Xinjiang such as Kazakhs and Kyrgyz, as a “genocide,” and drew a direct line between the Nazi concentration camps and contemporary Chinese government behavior.⁴⁸ This policy approach continued under the Biden administration. The State Department’s *China 2020 Human Rights Report*, released in March 2021, denounced the Chinese government’s “genocide and crimes against humanity” that target Uyghurs and other ethnic and religious minority groups living in Xinjiang. Consistent with Pompeo’s statement, the report referenced a host of infractions, including arbitrary imprisonment, forced sterilization, torture, forced labor, and restrictions on freedom of religion, expression, and movement.⁴⁹ Blinken repeatedly condemned Chinese government acts in Xinjiang, including during his confirmation hearings in January 2021, when announcing sanctions against two Chinese officials under the Global Magnitsky Act in March 2021, and in an interview on *Meet the Press* in April 2021.⁵⁰

Similarly, the U.S. commitment to democratic values was central to its continued support for Taiwan. In mid-April 2021, the Biden administration sent an unofficial delegation of former high-level officials (headed by former U.S. Senator Chris Dodd and former Deputy Secretaries of State Richard Armitage and James Steinberg) to Taiwan. The visit, which occurred shortly after the 42nd anniversary of the Taiwan Relations Act, was designed to demonstrate “U.S. commitment to Taiwan and its democracy” and occurred as Beijing has repeatedly sent its warplanes into Taiwan’s air defense identification zone.⁵¹ Days later, in the U.S.-Japan summit statement released on the occasion of Prime Minister Suga Yoshihide’s visit to the White House, Biden and Suga declared, “We underscore the importance of peace and stability across the Taiwan Strait and encourage the peaceful resolution of cross-Strait issues”—a sentence that seemed innocuous, but which observers quickly noted marked the first time the two countries had mentioned Taiwan in a formal summit statement since 1969 (when the two countries still formally recognized the ROC as the government of China).⁵² These steps came as survey data suggested gradually increasing support among the U.S. public for military action to defend Taiwan—the flip side of growing concern about the security threat posed by China.⁵³

The Biden administration’s commitment to a values-driven policy toward the Indo-Pacific region more broadly was also evident in its emphasis on the Quad relationship between Japan, the United States, Australia, and India. Although the Quad originated as a response to the 2004 tsunami, the Trump administration brought new life to this diplomatic arrangement in 2017 as a response to the emergence of China as an influential power

in the Indo-Pacific.⁵⁴ In March 2021, Biden joined the first leader-level Quad meeting (held virtually because of the pandemic). Although the joint statement, in keeping with previous work by the Quad, did not explicitly mention China, the specter of China was clear in the leaders' declaration that "we strive for a region that is free, open, inclusive, healthy, anchored by democratic values, and unconstrained by coercion."⁵⁵ The upgrading of the Quad to the leadership level indicates the value the Biden administration places on a unified democratic response to regional strategic concerns posed by an authoritarian China.

Likewise, the Biden administration's emphasis on a democratic values-driven foreign policy infused Biden's summit with Suga, where concerns about China's role in the Indo-Pacific underlay nearly every element of the discussion. Biden's decision to invite Suga as the first foreign leader to visit the White House signaled both the importance of the U.S.-Japan relationship and the priority the administration places on Northeast Asia. References to the two countries' shared democratic values—and the contrast, both implicit and explicit, to those of China—were a persistent feature of the visit. In his remarks at the joint press conference, Biden referenced the two countries' "shared values, including human rights and the rule of law," and promised, "We're going to work together to prove that democracies can still compete and win in the 21st century."⁵⁶ For his part, Suga affirmed that "Japan and the U.S. are allies that share universal values, such as freedom, democracy, and human rights" and reported that he and Biden had agreed that universal values would constitute a key component of each country's "frank dialogue with China."⁵⁷ The official summit statement declared both that democratic values are central to managing global threats and that continued U.S.-Japan partnership would strengthen each country's democracy.⁵⁸ The United States under Biden appeared poised to implement a democracy-infused foreign policy toward China—both by framing its alliance relations as a coalition of democracies facing a shared authoritarian challenge and by bringing democratic values and human rights more to the forefront in its direct dealings with China.

Conclusion

It is hard to predict to what extent the Biden administration will be able to reassert a dominant U.S. role in global governance after four years of the Trump administration's isolationism and "America First" policy, while facing a rising and increasingly confident China and domestic confusion about what the future global role of the United States should be. Nevertheless, as the Biden administration implements its China policy, it is clear that the view that the United States plays a fundamental role in protecting the global order will be foundational. Upon taking office, the administration has quickly taken steps to improve relations with traditional allies, such as South Korea and Japan, which were sometimes viewed more as security free-riders and less as strategic regional partners by the Trump administration. U.S. participation in the Quad leader-level meeting demonstrates the view that a robust U.S. presence in the Indo-Pacific is crucial to prevent China from dominating the region. Just ahead of the April 2021 Leaders Summit on Climate, hosted virtually by the United States, the Biden administration announced ambitious new greenhouse gas emission-reduction targets, signaling renewed U.S. leadership on a crucial global challenge the United States had largely abandoned when the Trump administration announced its

intention to leave the Paris Agreement and regarding which China had positioned itself as the “responsible great power.” The United States appears likely to take a more active role in global institutions because it recognizes that whoever writes the rules of the global order gains power.

The Biden administration’s belief that U.S. foreign policy should reflect its democratic values will permeate its approach to China, which it views as a challenge not just for strategic reasons but because of its authoritarian political structures. Greater U.S. focus will turn to Hong Kong (where dramatic pro-democracy protests in the wake of a crackdown by Beijing drew the American public’s attention in 2019), Xinjiang (where the mass detentions of Uyghurs in forced labor camps are drawing alarm), and Taiwan (a perennial flashpoint, with growing concerns that China’s increasing military power will allow it to seize control of the island in the medium-term). U.S. suspicions and mistrust of China will also make cybersecurity a priority; the United States is concerned both with China’s growing capacity to disrupt U.S. networks and with its increasing ability to collect private information on individuals and track their activities, as it has done in Xinjiang.

As the United States adopts a democratic values-infused policy towards China, it will encounter a China that is increasingly confident in the superiority of its political-economic model. Facing what it perceives to be a United States in decline, China will be more inclined to believe that its growing power enables it to implement an alternative vision of global relations—its calls for a more egalitarian, “win-win” global order belying its increasingly restrictive political environment back home. Although declarations of a new Cold War are overblown at present, it seems clear that the two countries’ national identity gap is hardening: the Biden administration is defining the United States by its democratic values, while the Xi regime has reinforced China’s authoritarian tendencies. These identities will prove central to the two countries’ bilateral relations in the years ahead.

Endnotes

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The Russo-U.S. National Identity Gap and the Indo-Pacific in 2021

Gilbert Rozman

The start of the Biden administration demonstrated how far Russo-U.S. relations had sunk. On the heels of the massive cyber-hacking of U.S. government files, attributed to Russia, hearings for Biden's appointees showcased harsh accusations. These were compounded by the arrest of Aleksey Navalny on his return to Moscow from convalescence in Germany after a near fatal poisoning in Russia, arousing severe rebukes in the U.S. Meanwhile, Russian officials and news sources attacked Biden personally as senile or a figurehead, a flawed U.S. system of democracy as a farce and dysfunctional,¹ and U.S. plotting through Navalny as aimed at taking down Putin. Mutual accusations intensified in mid-March 2021 when Biden responded to a query whether he considered Putin a killer by saying, "I do," which reverberated in sharp retorts by Putin and from many in Russia.² In late April, as Russia massed troops on Ukraine's border, Biden placed new sanctions on Russia, and Russian language grew even more threatening, relations had sunk even further. If there was no direct focus on the Indo-Pacific in such vitriolic exchanges, that can be seen elsewhere, especially in a further tilt toward China in a reputed "strategic triangle."

The Indo-Pacific is where relations between Moscow and Washington have the most potential, spared of the quandaries of NATO expansion and Soviet nostalgia over a sphere of influence or Middle East intrigues leading to shifting alliances.³ Many in Washington thought that a win-win scenario could be achieved if Moscow accepted integration into a dynamic region, a balance of power welcoming Beijing's rise but preventing it from domination, the denuclearization and stabilization of Pyongyang, and breakthroughs in bilateral relations with Tokyo and Seoul. All of these objectives appeared consistent with Russian aspirations in the early 1990s, but they were thwarted by the national identity that was being reconstructed in the following quarter century, especially under Vladimir Putin from the mid-2000s.⁴ Cooperation in the Indo-Pacific proved to be a casualty of Russian thinking toward the United States, most of all, but also toward China, North Korea, South Korea, Japan, and India. The Russo-U.S. identity gap has widened further in 2021. As Dmitry Medvedev wrote on January 16, the relations of Moscow and Beijing with the new U.S. administration are likely to remain extremely cold after years in which the trajectory of relations between Washington and Moscow had already been heading steadfastly downhill.⁵

Russo-U.S. bilateral relations and conflicting agendas in Europe and the Middle East draw avid interest, but the Indo-Pacific appears to be an inconsequential factor in their sharp rivalry. Nor do their differences in this region appear to have much significance for the development of the area, where China casts a broad shadow and U.S. alliances and partnerships are being renewed. To argue to the contrary leads one down several possible pathways: 1) this is the one promising arena for rebuilding relations; 2) Russia has a special role to play, distinct from China's, due to its ties to India, North Korea, or ASEAN; 3) continued strengthening of Sino-Russian ties adds an element of concern for U.S. policies in the Indo-Pacific; or 4) Russia's animus toward the U.S. may find an unexpected outlet in this region. Whichever pathway is explored, it is important to grasp how Russians perceive this region and its various sub-regions, while keeping in mind the context of the broader clash of national identities severely affecting the Russo-U.S. relationship.

In this chapter, I offer an overview of the Russo-U.S. identity gap, turn to Russian thinking about the Biden administration, review Russian national identity, focus on aspects of Sino-Russian ties and their identity gap, subsequently shift to how Russians have viewed other parts of Asia of late, and conclude with an assessment of the prospects for Russo-U.S. relations in the region.

The Russo-U.S. National Identity Gap

The mutual demonization of Moscow and Washington is made easier by the legacy of the Cold War. Putin has long accused the U.S. of a “Cold War” mentality, and lately one could read,

The long-forgotten spirit of McCarthyism is again felt in the air...We expect it is highly likely that the United States will consistently pursue an anti-Russian policy. In recent years, the trajectory of relations between Washington and Moscow has been steadily going downhill, no matter who was at the helm in the White House... Biden has not yet said anything positive about Russia. On the contrary, his rhetoric has always been openly unfriendly, harsh, even aggressive. He has repeatedly stated that ‘Russia is the biggest threat to the United States in terms of undermining our security and alliances.’⁶

Russians have showcased and tried to polarize an identity gap over the past two decades, capitalizing on a legacy of distrust of the U.S. nurtured by Soviet leaders. Returning to full control of the levers of power in 2012, Putin doubled down on attacks against the United States. This was already in full swing before he took the irreversible, explosive steps of seizing Crimea and then sending armed forces and surrogates into the eastern part of Ukraine to dismember the country further in 2014. Russian intervention in the 2016 U.S. elections cast a further shadow on bilateral ties despite success in helping Donald Trump win and satisfaction that he personally never criticized Putin. A downward spiral in relations preceded Biden’s win.

The year 2021 is an interesting time to scrutinize a clash in national identities, which flared in the 2010s. One set of possible factors is: a reduction of Russian self-confidence in light of rising economic stress, a shift in the Trump factor through replacement by Biden, rising concerns in both countries about China as Sino-Russian relations hit some snags and U.S. ties to China turn downward, and a sense of substantial change in both the world geopolitical and geo-economic environment in the pandemic era. Some Russian publications offered hints that perceptions of China were shifting, in part due to signs of Chinese arrogance, as the balance in the strategic triangle required adjustment, albeit without focus yet on identity gaps. On Central Asia, fear of China’s security and political role without consultations with Russia was palpable, as seen in the case of a new leader in Kirghizia and of a new military base in Tajikistan.⁷ Other clashing factors are: Putin doubling down on his hostility to the United States, following Russia’s successful penetration of government and private company networks in a massive cyber-crime; a negative response

to Biden after losing Trump's warmth to Putin; renewed awareness that Russia needs close ties to China more than before; and a new cold war atmosphere prioritizing the strategic triangle. This second set of factors predominates, given new force by the recent impact of the Navalny factor. Russians are disappointed that China is less hostile to the U.S. and is seeking common ground.⁸

In the 2010s, under Putin, the Russian side boosted the national identity gap with the U.S. far more than many on the outside recognized. A one-sided obsession, it has recently become two-sided. Washington has reluctantly awakened to the national identity gap with Moscow. Through the 1990s, despite chagrin at Russian problems with democracy and a market economy, hope was rampant that the demise of the socialist bloc and the Soviet Union had removed the sort of antagonisms associated with the polarization between the "free world" and "communism." If Yeltsin was stumbling away from democracy and regional hot spots were exposing differences in national interests, these were not cause for demonizing Russia or reasons to expect that the U.S. would be demonized. Russia was seen as too inconsequential to arouse talk of a national identity gap, let alone a revival of the earlier gap. Few focused on the thrust of Russian rhetoric not only of dissatisfaction with the U.S.-led international order but also of revival of Soviet-era narratives. Even after Putin in the 2000s changed Russia's course, sharply widening the gap with the U.S., there was still hope that the end of George W. Bush's aggressive era, ignoring Russia on such issues as the Iraq War, and the signs of "reset" under Obama and Medvedev, would narrow that gap. Yet it widened sharply with Putin's return to the presidency, his aggression in Ukraine, and the impact of Russian intervention in the presidential elections. With Trump out, it grew clearer.

The essence of the national identity gap at the beginning of the 2020s is: a revival of ideology as if the U.S. is driven by the same obsessions as in the age of anti-communism and Russia is back to similar totalitarianism and expansionism as in the Cold War; a return of history as if 1989-91 is of little consequence and divisions over the meaning of 1945 and the Korean War matter most; a clash of civilizations, as Russians insist that they are distinct from the West and traditional in the face of radical "modernist" values tearing the U.S. asunder; a clash of social systems, one top-down centered on state authority and the other in free-fall proving democracy's flaws in its rampant individualism; and opposite views of the world from sovereignty backed by great power spheres of influence to a liberal international order spreading its values with increased zeal. The Russian side is clearer on the details, having visualized this identity gap longer and more fully. If Putin is understood to be the architect of policies that risk relations with the U.S. and censorship prevents open criticism of Putin's positions in all but obscure publications, there is no prospect of a debate about the United States, unlike the recent intense debate on Russia policy in the U.S.

The Biden Administration and Russia

Angela Stent argued that every American president since the end of the Cold War has anticipated improving relations with Russia, starting with a foreign policy priority for which cooperation was important—whether democratization, anti-terrorism, or non-proliferation.⁹ Biden's priorities are viewed in Russia as—even more than earlier U.S.

leaders—having no role for such engagement. As Dmitri Trenin later observed, Biden will challenge Russia both domestically and geopolitically.¹⁰ Boosting alliances, calling for a summit of democracies, and calling out Russia for a large number of violations of international norms, Biden brought the Russo-U.S. identity gap into the forefront on the U.S. side after Trump had suggested that he and Putin were sympatico.

On December 22, 2020, President-elect Joe Biden spoke of his outrage over the penetration of U.S. computer systems on an unprecedented scale, which he blamed on Russia, contrasting the seriousness of his intended response to Trump’s refusal once again to hold Putin to account. Biden in a debate even used the phrase “Putin’s puppy,”¹¹ referring to Trump. The pent-up anger over Russian interference in the 2016 election and subsequent misdeeds was poised to erupt once Trump left office. Russia has reclaimed the mantle of “Cold War enemy,” despite the absence of “communist” in its image. It is perceived as authoritarian, anti-American, expansionist, and hostile to overtures that could promote peace and stability. Worse than before, it is also viewed as a direct threat to the democratic system of the United States, now using novel “sharp power.”

Bill Burns, former ambassador to Russia and new director of the CIA, has prioritized “attacks emanating from Moscow” in his recent statements while also noting the challenge China poses. In the Trump era he repeatedly accused Moscow of aggressive behavior and seeking influence at the expense of the American-led order and at odds with Western values and institutions. In the Russian response to his nomination, he is treated as the epitome of anti-Russia hysteria and someone more inclined to reconciliation with China, as if it could adapt to a U.S.-led order.¹² He is one prominent figure identified in Moscow as implacably, emotionally antagonistic to Russia. In such imagery, the U.S. is not pursuing its national interests but convulsed with hostile intent.

On January 14, Yulia Sokolchuk charged that containing Russia is the cornerstone of Biden’s foreign policy,¹³ saying that the confrontation appears, over the long term, more irreconcilable than that between the U.S. and China. She finds hawks treating Russia as the weak link in the triangle with China and subject to pressure that will break it, given its growing asymmetry with China. Biden’s policies could lead to further escalation of pressure, since the Democrats perceive Russia not only as a geopolitical, but also as an ideological enemy. The nature of the clash will change, e.g., with sanctions over the “Navalny case,” she forewarns. Moreover, Biden’s push to consolidate the West could lead to more sanctions’ coordination. Thus, a “dangerous effect of the consolidation of the West could be the promotion of the ideas of democracy, human rights, and the fight against illiberal regimes,” becoming common ground for rapprochement between the U.S. and the EU on sanctions. There will be significant risks for the foreign economic dynamics of Russia’s relations with third countries, warns Sokolchuk. Similarly, Russia’s leaders view Biden as more threatening to Russia because he stands for and will lead the democratic world in spreading the values Russians regard as threatening their country and others whose fate is linked.

In a January 21 Moscow roundtable, it was argued that Russia will be used as the “image of common enemy by the Joe Biden Administration in order to evade criticism.” They added that the anti-Russian position will also be used to consolidate the Western world.¹⁴ One speaker said, “In my opinion, the US entered a certain period of instability and crisis...Of

course, an image of an enemy will be found in order to evade criticism. Actually, this image has already been found - Russia.” Another speaker asserted that

The liberal international order has attempted to recast the former capitalist-communist divide with a liberal-authoritarian divide. However, the ideological incompatibility between American liberalism and Russian conservatism is less convincing. For example, McFaul cautions against Putin’s nefarious conservative ideology committed to ‘Christian, traditional family values’ that threatens the liberal international order...The new ideological divide nonetheless advances neo-McCarthyism in the West...McFaul cautions against what he refers to as ‘Putin’s ideological project’ as a threat to the liberal international order. Yet he is reluctant to recognize that the liberal international order is an American ideological project for the post-Cold War era.

Furthermore, “The Biden administration will plant its vision of globalization based on the ideology of neoconservatism.” This is “neoglobalism” in place of Trump’s “de-globalization,” one source concluded.¹⁵ Fortright in calling Russia’s response to globalization an “extreme ideological foreign policy and search for external enemies” was Sergei Trush in an article published in late 2020, which is unusual in doubting the Sino-Russian bond.¹⁶ Only by opening a clear identity gap with China will Russia’s need for the U.S. come into view. Yet this outlier stands in contrast to the mainstream narrative that Russia has no identity clash with China and Russia must reciprocate the United States by demonizing it as the ideological enemy. Such polarizing images were seen in the Trump era, but the arrival of the Biden administration opened the door to their fulsome expression. The identity divide now was personalized, while the human rights focus on Aleksey Navalny accompanied by more assertive U.S. rhetoric and new sanctions on Russian officials raised the stakes. Absent Russian optimism, the U.S. had no hope.

In March 2021 a report was released on a newly compiled trove of historical documents, which rebut “Russia’s false narrative about NATO through the words of Russia’s own top officials and experts.” In an age of widespread disinformation and malign revisionism, the collection provides an accurate account of the NATO-Russia relationship, it was asserted. The report observes that a consistent Russian tactic has been to entice the United States into recognizing Russia as “a privileged co-decision-maker in the process of creating a post-Cold War security order in Europe.” This would mean a Kremlin veto over the future of much of Europe. It is said that Putin’s reply to NATO’s outreach has been a destabilizing pattern of escalating aggression toward the West. “Putin chose to follow a revanchist agenda of cyberattacks, election interference, energy embargoes, assassinations abroad, military provocations, aggression in Syria and Libya, and the invasion and occupation of territories in Ukraine and Georgia.”¹⁷ This is the sort of narrative that informs the Biden administration’s response to Putin’s distorted narrative.

Russian National Identity

Russia has struggled to locate itself as an autonomous world power and civilization since early in the 1990s. Yeltsin led in the search for the “Russian idea,” Putin proclaimed Russia’s “Eurasian identity,” and, continuously, the legacy of the Soviet Union has permeated the quest for identity distinctive from the West or a common European community. In the

Soviet era, Moscow strove to adhere to socialist orthodoxy as defined by the 1950s and to contrast its belief system to that of the United States and the capitalist world, often caricatured for both their capitalist and their imperialist evils. It also found a different target in Maoist China for distorting the socialist legacy and breaking with the Soviet bloc.¹⁸ Eschewing a resurgent China as a target and doubling down on the contrast with the West in the 2010s, Putin has made national identity a primary concern.

Prior to Putin's consolidation of power in the mid-2000s, there was much hand-wringing about the absence of a "national idea" and the loss of cohesion in ideology since the collapse of the Soviet Union. Three steps proved essential to overcoming such malaise: 1) reconnection with the Soviet legacy; 2) separation from the "Western" identity; and 3) mobilization around symbols of national identity, as Crimea became after its annexation in 2014. Doubling down on attributes of Soviet identity, such as statism and the cult of an unchecked leader, invoked nostalgia over the Soviet legacy. Defining the West as a threat to both national interests and the distinctive Russian civilization created the desired separation from the "other." Territorial issues proved ideal for mobilizing on behalf of a reconstructed national identity, but so too did "spheres of influence."

Putin reconstructed Russian national identity around five pillars: an ideology of Russocentrism with elements of socialism and anti-westernism redolent of the Soviet era; pride in overlapping histories of Tsarist and Soviet achievements from Peter the Great's "modernization" to Stalin's victory in WWII; insistence on a unique and superior civilization; glorification of the state and a cult of Putin; and aggressive opposition to the liberal international order while favoring some sort of multipolarity and regional spheres of influence, including a Eurasian framework. Treated as dimensions of an intensifying national identity, they combined into a coherent worldview.¹⁹

The crux of Russian national identity at the beginning of the 2020s is: a strategic triangle power (no more superpowers exist, and only Russia ranks with the U.S. and China); a defender of values deemed traditional (in contrast to the West, which has lost its way with political correctness on family and religion, and to China, whose values are largely left undefined but are not considered appealing to others); and a champion of realism in defense of sovereignty opposed to spreading values from the West or humanitarian intervention. Ideally, Moscow would like to be the pivot of a strategic triangle, wooed by Washington and Beijing, but neither of those centers shows an inclination to grant it such importance or even to credit it as a civilizational core. This leaves the option of picking sides and pushing more aggressively against the target to confirm its salience. China was dismissed as a possible target by the end of the 1990s, after some, especially in the Russian Far East, had used alarmist language against a "yellow peril" and China had responded harshly.²⁰ Few have dared to criticize China visibly and directly over the ensuing two decades.

Moscow has borrowed some of the playbook of the Cold War to demonize the United States. If leaders change in the U.S. that is of no real consequence. If the U.S. seeks again to "reset" ties, no meaningful policy change can occur. U.S. alliances and policies worldwide are inherently bad, including in the Indo-Pacific region. If U.S. allies and partners tried to narrow the gap between Russia and the U.S.—as has been sought by Japan, South Korea,

India, and others—Russians see no room for this. As during the Cold War, the gap between the leading powers is unbridgeable, and the U.S. side is totally responsible. Well before Chinese were prone to recognize a New Cold War, Russians had, dismissing any “win-win” scenario ahead.

Russians have revived Soviet rhetoric, insisting on the superiority of a tradition of community over individualism run rampant in the West. Rather than rooting claims of communalism in communist collectivities, they are now anchored in Russian Orthodoxy, which embodies the values of pre-revolutionary Russia, although serfdom is no more praised than are collective farms. Sketchy as the evidence is for how communities function in Russia, the focus turns to the extremism of individual freedom in the U.S., glorifying selfishness with no obligation to society. The Trump era provided grist for extreme allegations of what is wrong in the United States.

Sergey Karaganov warns that the one-sided stress on finding fault with the West is defensive, while Russia needs clarity about its own identity. “We do not have a positive ideology for ourselves, no new Russian idea. But without such ideas all great powers collapse or cease to be great.” Yet Karaganov is intent on showcasing an ideological divide, insisting that the U.S. is waging a propaganda war against Russia as well as China, as it strives to fill the ideological vacuum in the world amid the ongoing failure of “democratic liberalism.” It is Russia that must respond since China is limited by a “specific culture,” which is “difficult to ‘read’ by most other civilizations.” Furthermore, “Russia stands for those who are ‘nationalists,’ or ‘conservatives,’ or ‘normal.’ They call for the preservation of peoples’ and countries’ sovereignty, national identity, and protection of national interests and culture.” Rejecting the claims that the other side stands for freedom, they argue it is insistent on imposing its ideology at the expense of other peoples’ own histories and traditions. Their model of society is atomized, destroying the family and social cohesion as well as religion. In contrast to Soviet writings in the early Cold War that embraced progressive ideals, such as the emancipation of women, more recent writings herald Russian conservatism and religious beliefs. Karaganov equates liberating the world from the Western “neoliberal yoke” with the historic mission of saving the world from the Mongols, Napoleon, and Hitler.²¹ Again, the messianic thrust of Soviet ideology can be detected in such strong appeals to save the world.

Russian Perceptions of Asia and National Identity Gaps

Sino-Russian Relations

If the primary context is the national identity divide between Russia and the United States, the context second in significance is the Sino-Russian relationship and how China’s national identity matters. Along with the keyword “Eurasia” permeating Russian thinking, another assumption, if often left implicit, is the notion of “the strategic triangle.” This is especially present in the Indo-Pacific region, where China’s presence is paramount for Russia. The result is more quadrangular approaches to Russia’s connections to other countries than triangular ones, whether to Japan, the Korean Peninsula, Vietnam, or even India. National identity gaps are expressed bilaterally, but that does not obviate the perception that they

are influenced by third or fourth countries. When it is convenient to omit China and pretend that only the triangle with the United States is involved, this assumption hardly obscures the fact that China's shadow remains strong in nearby countries.

One challenge in the 1990s was to turn attention from the identity gap with China to that with the U.S. For a quarter century, China had represented socialism unreformed, and hostility toward the Soviet Union at its most irrational. Despite the fact that in the second half of the 1980s China's image first had transformed into socialism greatly reformed, with hostility much reduced, and then to reenforced authoritarianism when more reform was needed, Russians were too focused on the West to refocus on the identity gap with China. As China acquired greater significance as the key partner, it failed to draw the sort of attention seen in the 1950s as the ideological little brother, or over the next quarter century in the Sino-Soviet split as the ideological traitor. The relationship from the 1990s was viewed as just a function of pragmatic realism. It "remains by far the most important, even dominant, priority on Russia's agenda in the region,"²² but not an identity target.

China and Russia each have demonized the United States since the Obama administration. They have insisted that the U.S. is not only pursuing its national interests in some sort of great power competition but is also driven by a distorted identity sometimes called a "Cold War mentality." In the case of Russia, the demonization is more unvarnished, whether of Obama's administration or of the U.S. under Trump with nary a mention of his responsibility. In the case of China, identity in the United States is similarly denigrated, but identity is not presumed to override U.S. national interests to the same extent, leaving more room for cutting a deal. Comparing the Russo-U.S. and Sino-U.S. national identity gaps has implications for U.S. foreign policy in the Indo-Pacific area. The difference can be seen in the way they use "sharp power" against the United States,²³ and in the reception given to the Biden administration with China holding the door open for a win-win outcome, while Russia holds out no hope as it warns that the New Cold War will only intensify.

Insistence that Russia is not part of the West and is distinct from Europe focuses attention on what is called a "Eurasian" identity. It is much less clear how Russian identity relates to Asia than to Europe. Little is said about any sort of regional identity or community in Asia. Silence greets those who would search for comparisons of Russian and Chinese national identities or even of the legacies of traditional communism, which once drew them close. There have been attempts to group Russia and China under one overarching umbrella, usually leaving vague the other countries so treated, as in "Greater Eurasia" or a "Grand Eurasian Partnership." While the various actors are assumed to be part of different civilizations and to proceed strictly in accord with their distinct national interests, the overlap in some identity elements is often presumed.

Unlike the West, China is not regarded as a threat to Russian civilization. Reviving the label "communism," however would have posed that danger. Keeping Chinese identity at bay was made easier by claiming that Russia has a Eurasian identity—neither European nor Asian but sweeping in regional scope. Even when Russia was weakened and isolated at the end of 2020, it strove to keep this identity alive through a virtual congress on Greater Eurasia.²⁴ This rang hollow against the signs of weakening integration and growing dependence on China. Russia also kept its distance from the Sinocentric BRI initiative.²⁵ After all, China demands a degree of control and use of its own labor not consistent with

Russian insistence on autonomy (and 80 percent of the workers must be from Russia). Thus, plans since 2009 to achieve harmonious development of the Russian Far East and Northeast China, and since 2015 to dock the Eurasian Economic Community and part of BRI (the Silk Road Economic Belt) have had little real success. It has even been difficult to cross the border in one's own car or to agree on visa-free travel, long due to Russian restrictions, but lately, even before the pandemic, owing to Chinese tightening of internal controls over people and provincial autonomy. In one late 2020 enumeration, only four major projects had been built by China in the Russian Far East, while some 70 other proposals of Chinese business remain under discussion. For BRI, Harbin is the main city in the 2019-21 plan for cooperation in an economic corridor with Russia and Mongolia. Russia is just a periphery.

In a January 2021 report on Sino-Russian relations, Andrea Kendall-Taylor and David Shullman argue that in nearly every dimension of their relationship ties have increased, although the two remain divided over what this means. They write, "the impact of Russia-China alignment is likely to be far greater than the sum of its parts, putting U.S. interests at risk globally," especially in the defense and democracy and human rights domains.

They have gone on the offensive to undermine democracy and universal rights as the foundation of the current liberal order, and are learning from each other how to increase the efficacy of their tactics. Already, Russia and China are popularizing authoritarian governance, exporting their best practices, watering down human rights norms, backing each other up to defend strategic interests in multilateral forums, creating norms around cyber and internet sovereignty, and bolstering illiberal leaders and helping them stay in power.²⁶

As many concentrate on the polarization between the U.S. and China, we must not neglect a similar Russo-U.S. divide. Putin's "Turn to the East" does not mean an end to distrust with China, but insistence that, largely in coordination, Russia can make its weight felt in the Asia-Pacific region, where China welcomes complementary moves to undermine the U.S. presence. Putin's decision to lean to China and oppose the U.S. stridently is rooted not in a threat that the U.S. will use force against Russia but a fear that U.S. support for democracy and human rights will embolden sympathetic constituencies within Russia and ultimately weaken his grip on power. Kendall-Taylor and Shullman argue that "Much of the recent acceleration of Russia-China relations stems from the countries' increasingly shared vision of a less democratic world more hospitable to the continued rule of each country's authoritarian regime and its expanding global interests. Russia's illegal annexation of Crimea in 2014 and subsequent occupation of Ukraine drove Russia toward a China increasingly concerned about Western efforts to foment 'color revolutions.'" They have found

common cause in undermining liberal democratic norms and institutions, weakening cohesion among democratic allies and partners, and reducing U.S. global influence...Both Beijing and Moscow view eliminating the normative underpinnings of the international system, specifically liberal democracy and universal human rights, as critical to gaining a greater voice in global governance and, in China's case, smoothing its path to true great-power status under CCP leadership.

Russian attitudes toward the Indo-Pacific region need to be appraised in the light of Russia's growing desperation to ride further on China's coattails.

In March 2021 China gave greater prominence to forging close ties with Russia. At the press conference of the National People's Congress, after Wang Yi took the first question from the TASS correspondent, he said, "China and Russia standing together will remain a pillar of world peace and stability. The more unstable the world is, the greater the need for carrying forward China-Russia cooperation. China and Russia should be each other's strategic support, development opportunity, and global partner. This is both an experience gained from history and an imperative under the current circumstances." He added, "We will set an example of strategic mutual trust, by firmly supporting each other in upholding core and major interests, jointly opposing 'colour revolution' and countering disinformation, and safeguarding national sovereignty and political security."²⁷ Just days later, TASS reported that Alexey Maslov, director of the Institute of the Far East at the Russian Academy of Sciences, proposed an alliance of sorts anyway. He cautioned the Chinese side that the Biden Administration will step up pressure on China "in several main areas" and is hell-bent on preventing it from entering the high-tech sphere, especially with European partners, and implementing the "Made in China 2025" strategy. Maslov added, "The US is trying to surround Russia and China with groups of conflicts. It is trying to impose a new global control system through conflict management. And so far, Russia and China are in the position of defending or justifying themselves. In my opinion, a joint Russian-Chinese concept is a very important step to stabilise the world right now." Meeting with Chinese, he called for a joint system of comprehensive security, which would cover other areas along with the military sphere, such as energy, banking, transmission of information. "Thus, Russia and China can offer a new concept of global stability through a new security concept."²⁸

Yet Maslov, just days later, doubted that China would agree, telling a Russian newspaper, "Despite the worsening political relationship, over the past two months Chinese exports to the US climbed 21%. So, the sides are boosting trade rather than decreasing it. So, exacerbating tensions while both economies require better relations would be simply unreasonable." He further predicted that Biden would seek constructive dialogue, including trade talks with China. Clearly, he was attentive to Chinese feedback at odds with his appeal. On the subject of North Korea, Russians complained that the Chinese were too accommodating to the U.S., finding the Sino-Russian gap comparable to the ROK-U.S. gap on the issue. This was indicative of a confrontational way of thinking about Russo-U.S. relations beyond what they perceived to be China's posture. Russians are growing nervous about rising asymmetry in the strategic triangle, doubting China's resolve. In essence, they visualize a national identity gap with little room for pragmatic compromise with the United States, but they are wary of China's long-term outlook and priority for the economy.

Russian Relations with Others in the Indo-Pacific

In the 1990s, the Gore-Chernomyrdin commission focused on cooperation in the Russian Far East as talk was building for the U.S. to welcome Russia into APEC with a common agenda for Asia-Pacific development. Given that Moscow and Washington are distant from the dynamic centers of Asia's rise, the idea arose that they would find common ground. Yet Russians grew wary of joining the region as an economic supplicant and decided on rebuffing the West and its civilizational threat to embrace China's worldview and cultivate North Korea as a partner. By the beginning of the 2000s there was no further prospect of a joint Russo-U.S. regional agenda. That left Russia with the challenge of finding merit in U.S. allies as compatible identity targets.

Japan and South Korea kept alive their hopes of drawing Russia into a shared community much longer than the U.S., although they rose and fell over time. Russian rejection of Japan as early as late 1992, and of South Korea by 1997, did not mean that they were not sustained to a degree in aspirations for multipolarity. Abe Shinzo and Park Geun-hye in the mid-2010s were especially keen on encouraging Putin to accept a version of that. Yet Russian reasoning about these allies of the U.S. and about China, was at odds with their initiatives, and by the late 2010s only India was still spoken of as a multipolar partner. That last hope, however, faded with worsening Sino-Indian relations and India's partial turn to the United States. Russian claims to have partners for a Greater Eurasian identity receded, as one-by-one the candidates mentioned disappeared from the narrative, although widening the scope to Iran offered a glimmer of hope in 2021.

Some in Tokyo, Seoul, and Delhi encouraged Moscow to think of their countries as partners in building a regional community. Abe's wooing of Putin opened the door to talk of parallels in history—each messianic before defeat and each striving for autonomous influence, keeping its civilization separate. Similar today in population and facing China's regional dominance from different angles, they could find a symbiosis, while still leaning to their respective key partners. Moscow had no interest, seeing this as a path for a middle power, not a great power, and as a sellout to the U.S.-led order, to which Japan clung. South Korean leaders, one after another, made a pitch to Putin that the two sides could lock arms in reshaping Northeast Asia through a joint appeal to North Korea, awaiting a huge payoff from steps toward reunification forging a north-south corridor. Yet Putin again saw a U.S. ally defying China and subordinating Russia. In the case of India, its growing advocacy of an Indo-Pacific agenda could not be welcomed, given Russia's continental focus, the central U.S. role for India, and China's antipathy to the notion. As each proposal for regionalism was rejected, Russia was left wedded to China and at an impasse.

Russia's close ties to China and growing support for North Korea were not matched by rhetoric of civilizational affinity. The most that was ventured was silence about national identity gaps. If indirect criticisms were raised, at times, about policy choices in Beijing and Pyongyang, there was no longer reference to how domestic factors in either of these countries were responsible. That kind of criticism was reserved for the United States, as the sole target of identity enmity.

Abe tried to downplay the longstanding source of identity friction, the Northern Territories, to forge a personal bond with Putin and find common cause on economic and security regional objectives. This failed, and he never could find in history a source of bonding, especially as the Russian side glorified the victory in WWII, including over Japan, which struck at Abe's desire to "normalize" views of Japanese pre-1945 history, such as pride in the Russo-Japanese War. The national identity gap between Moscow and Tokyo could not be managed by silence on recent Russian human rights abuses and relative quiet on Ukraine matters from 2014. There never was a basis for building trust, given Putin's intensified appeal to identity elements at odds with Abe.

South Korean leaders for thirty years sought to swing Moscow away from North Korea through identity appeals as well as economic incentives. Conservatives did this seeking demonization of the North, while progressives appealed to joint efforts to entice the North. Calling initiatives "Eurasian" or "Northern" and welcoming Russia into "Northeast Asia," from which Moscow thought others were excluding it, were approaches taken. Yet Moscow

found much greater mileage for its own national identity in seeking leverage and trust from Pyongyang. Further, spillover from antipathy to the U.S. left decreasing room to share an identity with U.S. allies.

North Korea matters for Russian identity as a past ally and an enemy of the U.S. Winning its support reassures Russia that it has regained a foothold in East Asia, can operate not only with China but independently of China, and can oblige South Korea and the U.S. to take it seriously in the region. Russian wariness of Seoul and wooing of Pyongyang is detailed over two decades in a January 2021 book rooted in national identity assumptions but feigning realist arguments.³⁰

Biden was presented with no hint of Russian cooperation on any of his regional priorities: the boosting of alliances and multilateralism rooted in them, the formation of a Quad Plus in the Indo-Pacific, the denuclearization and containment of North Korean aggression, and the goal of restraining China’s “wolf warrior” behavior. The U.S. and Russia advocated different notions of regionalism, sought to pull India in different directions, and were at loggerheads in addressing the growing power of China. If vestiges of interest in wooing Putin survived in Japan under Suga and South Korea under Moon, they drew no sympathy in the Biden administration and barely any reciprocity from Putin. Meanwhile, the starker differences in Russian and U.S. positions on security, human rights, Europe, and the Middle East, boded poorly for Indo-Pacific cooperation.

Conclusion

In the 1990s, Russians awakened to the humiliation of falling from the status of a superpower treated as one of two great centers of world geopolitics and civilization to a pitiful periphery of European civilization, whose past achievements were not only unappreciated but also dismissed as black marks to be treated as a source of shame. Reconstructing an identity of pride became an urgent pursuit. The quest for the “Russia idea” devolved into an obsession with declaring the rebirth of a civilization with a history, religion, and great power identity capable of standing on equal footing with the United States (brought down from its perch) and China (raised on a large pedestal to balance the U.S. and to open space for a third, leading civilization). Not only was this a clash of civilizations, it was a manifesto that they are fundamentally different, with no common ground for shared values or a global community. While talk lingered of cooperation in dealing with North Korea’s nuclear ambitions, the differences on that were pronounced from the start of the Six-Party Talks in 2003. No common agenda in the region materialized in the 2000s-2010s.

Biden’s exceptionally experienced team of experts on the Indo-Pacific is striving for a grand strategy, which is bound to be opposed to Putin’s strategy in multiple respects. North Korea is likely to be an early subject of clashing thinking, in which some shared realist interests will be overwhelmed by national identity as well as balance of power reasoning. On Sino-U.S. tensions, Russia will side fully with China, allowing the wide identity gap with the U.S. to overwhelm any thinking about vying for leverage in a strategic triangle. As the U.S. strengthens the Quad, strives for a Quad Plus, and pursues alliance trilateralism on Russia’s southeastern border, attacks on this as “Cold War” mentality are unavoidable. Given the impending setbacks to Russian claims to regional identity, there is little prospect of clinging to them in a more polarized environment.

The crux of Russian narratives on the Indo-Pacific is that the U.S. is desperate to maintain its fading hegemony and, thus, goes all out to contain Russia as well as China, but Russia can be on the offensive because other states share its concerns, China is not a hegemonic threat, and a form of regionalism is advancing in which Russia plays a prominent role in multipolarity. Step-by-step these pretenses have been peeled away, and the Biden agenda could be their downfall. Putin may be left without any way to differentiate Eurasianism from Sinocentrism, with no pretext of working with South Korea as well as North Korea for Northeast Asian regionalism, and with the loss of India as the anchor in its thinking about multipolarity and plural civilizational centers. In these ways, the Biden administration's expected Indo-Pacific strategy and identity is certain to be taken as a threat to Putin's "Turn to the East" and Greater Eurasianism. If India, Japan, South Korea, Vietnam, or another state in Biden's sights struggles to hold onto an image of Russia as a target of opportunity able to play some sort of balancing role against China, they are likely to lose hope. Yet India still holds out hope and has a deciding voice as the key to Quad success.

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The Coronavirus: Fueling Concerns and Contrasts between India and China

Tanvi Madan

On February 26, 2020, an Indian plane landed in Wuhan carrying medical supplies for China, which was then the epicenter of the COVID-19 outbreak. On its return, it evacuated a number of Indian and Bangladeshi nationals, as well as citizens of other countries. On the face of it, this is the kind of cooperative effort that is expected during a global public health crisis, with countries—even competitors—coming together at a time of need. However, the saga of that flight reflected another (prescient) dynamic—that COVID-19 would reinforce and increase rather than alleviate competition between China and India and complicate cooperation, with pandemic response and recovery efforts being seen through a competitive prism.

That flight to Wuhan was not smooth; indeed, it was much delayed. Delhi had announced it a week earlier. It was a way to help China, demonstrate India's capacity, and assist India's neighbors by evacuating their citizens.¹ But then Indian officials publicly, albeit anonymously, revealed that Beijing was not clearing the flight. The reason was unclear—China, after all, had been requesting international support. There also did not seem to be a bureaucratic snafu. So, was it the visual of Beijing accepting support from India, which Chinese officials and analysts sometimes dismiss as a less capable, even chaotic, neighbor? Was it the desire not to give India a soft power win, including with its neighbors? Was it because the flight involved a military transport aircraft procured from the U.S.? Was it retaliation for the temporary Indian detention of a Chinese ship bound for Pakistan due to a tip-off of dual-use items on board?² Or was the reason Chinese unhappiness about Indian travel restrictions to and from China, or Indian export limits on certain medical products? Whatever the reason, China eventually gave the flight clearance, but only a week later and after much Indian negotiation. It was an early sign that the public health arena would not be immune from the competitive atmosphere prevailing between the two countries, and in the region as a whole. Subsequent events only bore that out.

There has been considerable discussion about how countries' perceptions of China would change due to the pandemic—at the beginning because of its mishandling, and then because of its recovery. This chapter argues that, rather than change perceptions, Beijing's handling of COVID-19 increased the largely skeptical views of China that prevail in India, which had at least 29 million cases and over 385,000 deaths in India by mid-June 2021 (the 2nd and 3rd highest in the world respectively). This trend was further bolstered by the worst boundary crisis between the two countries since they fought a war in 1962.³

Together, the pandemic and the boundary crisis have ensured that the competitive and conflictual elements of the India-China relationship have been front and center over the last year. They have reinforced and accelerated concerns in India about China's lack of transparency, its uncertain commitment to the rules-based order, as well as its growing influence in the Indo-Pacific and in international institutions. And they have demonstrated that despite Delhi and Beijing's efforts to cooperate and to stabilize their relationship over the last two decades, it remains a fundamentally competitive one that can spill over into conflict.

This chapter examines the impact of first the pandemic and then the boundary crisis on perceptions of China among the Indian government, establishment, and public. It proceeds to outline the consequences of these perceptions on Indian domestic policy, its partnerships with like-minded major and middle powers, and its counter-COVID activism. Finally, it considers China's response, particularly to Indian policy changes.⁴

Perceptions

The Impact of the Pandemic

The Indian government's initial rhetoric about China's response to COVID-19 was measured.⁵ Delhi did impose travel restrictions, which Beijing disliked.⁶ However, unlike the United States, Indian officials did not criticize China publicly. This reflected their need to procure medical supplies from China, secure financing from institutions such as the New Development Bank in which Beijing is a key member, and keep the China-India relationship stable.⁷

Nonetheless, Beijing's domestic and international approaches to the pandemic fueled Delhi's existing strategic and economic concerns about China. Strategically, Delhi worried that Beijing would take advantage of the pandemic to increase its influence among India's neighbors in South Asia and the Indian Ocean region—particularly due to China's role in the medical products supply chain, as well as its relatively early recovery. And Beijing did indeed provide or offer medical supplies, financial assistance (through debt repayment restructuring or loans) and vaccines, and convene meetings bringing together the other South Asian countries.⁸

An additional worry was China portraying its system of governance, and its global and regional leadership role as more effective at the expense of others—especially democracies such as the U.S. and India. Beijing's approach vis-à-vis the World Health Organization (WHO) also reinforced standing Indian concerns about how China would use its influence in regional and global institutions.

Due to supply chain disruptions, the pandemic also amplified Indian economic anxieties, including overdependence on China for industrial inputs—India's pharmaceutical sector, for instance, sourced a significant amount of its advanced pharmaceutical ingredients from China.⁹ There was also concern about Chinese entities taking advantage of the crisis—and China's own early recovery—to acquire vulnerable Indian companies.¹⁰

The Indian establishment beyond the state, which shared many of these concerns, was more vocal in its criticism of China.¹¹ Retired diplomats faulted China for its initial lack of transparency about the origins and the outbreak of the pandemic, and its obfuscation or attempts to suppress information.¹² For them, it raised questions about China's claims to being a responsible stakeholder in the international community. There was also some concern that China's efforts to warn countries against travel restrictions were coercive. And there were questions about Beijing seemingly pressuring the WHO to acquiesce to its approach. Some former officials went even further, advocating the use of the term "Wuhan virus."¹³

There was also a line of argument previously rarely made by this group in public: that China's lack of democracy was part of the problem. Publicly, Indian analysts—especially those with government experience—often downplay or dismiss the nature of a country's regime in assessments. But there was a shift in this case. Former Foreign Secretary Shyam Saran, for instance, asserted, "There is no escaping the fact that COVID-19 may not have become a pandemic if China were a democracy with a free flow of information through an independent media and accountable political leadership." He bluntly criticized China's

efforts to “erase its culpability” and “overcome the damaging global public opinion which it has suffered by a subsequent sustained propaganda campaign.” One of his successors, Vijay Gokhale, took on the idea that China’s response had demonstrated the effectiveness of its governance and system. He argued that the initial handling of COVID-19 “dispelled the myths around the Beijing consensus. Try as the Chinese authorities might to showcase their system as having efficiently tackled a national emergency, even the remotest nation on earth has learned about their failure.”

Both these China hands also countered the Chinese line about democracies’ ineffectiveness, noting the examples of Taiwan and South Korea. Saran also pointed out that democracies’ transparency could be beneficial in responding to the crisis. Gokhale went further, arguing that it was incumbent upon India to tackle the pandemic effectively, in part to “show to the rest of the world, that imperfect as it may be, democracy is the better method of delivering results in the face of an international crisis.” He also suggested that the Communist Party of China might not want India to succeed in effectively tackling the pandemic—and pointed out that in the past it had used the widening China-India gap to emphasize to Chinese citizens that “choosing one’s leaders may not be a better option.” And he outlined the implications of democratic India’s success or failure for not just the Indian government but the Chinese regime too, saying that Chinese disparagement of India stemmed from fear: “The fear that if democratic India can deliver, the rule of the Communist Party can be challenged. India, not western democracies, is the real existential ideological threat. How we handle this crisis will determine our place in the world of the future.”¹⁴

Some Indian experts did call for cooperation with China, and even argued that the crisis could stabilize the bilateral relationship.¹⁵ Former National Security Advisor Shivshankar Menon, on his part, cautioned against blame games.¹⁶ Others worried about the impact on Sino-Indian economic ties specifically or on globalization more broadly.¹⁷

The public reaction was largely critical, and built on existing concerns about China and even stereotypes about it. This was not surprising. In a 2019 poll, only 23 percent of Indians surveyed had a favorable view of China.¹⁸ And the pandemic only caused this anti-China sentiment to spike. A key theme in media and public discourse was blaming China as the origin of the virus, for its spread, and for its health and economic consequences in India and globally. Prime-time news segments, if not entire shows, focused on China’s role and culpability. Memes proliferated on social media.¹⁹ Some broad themes were evident: criticism for China’s lack of disclosure, its influence on the WHO, its sidelining of Taiwan, the quality of Chinese medical supplies, and what were seen as Beijing’s efforts to take diplomatic or commercial advantage of the crisis.²⁰

Chinese missions in India did not respond, as they did in other countries, with a “wolf warrior” approach directly targeting India. Rather, they focused on highlighting China’s own efforts to tackle the pandemic and the donation of supplies by Chinese companies to India, refuting media criticism about China’s approach, and criticizing the U.S. response to COVID-19.²¹ However, Chinese state-run media outlets have highlighted Indian setbacks and fueled skepticism about its ability to tackle the pandemic.²² And, as Beijing sought to propagate the theory that frozen food imports were responsible for coronavirus outbreaks, publications like *Global Times* repeatedly cited reports that the coronavirus had been detected on frozen seafood products from India, or speculated that the virus might have originated in India.²³

The Impact of the Boundary Crisis

Any success Chinese public diplomacy efforts might have had in India in spring 2020—and initial signs did not suggest they were having much impact—was overshadowed by what came next: the most serious boundary crisis between China and India in decades. In May, India accused the People's Liberation Army (PLA) of unilaterally attempting to change the status quo at multiple points at the Sino-Indian boundary, resulting in a military standoff and the first fatal clash (on June 15) between the two countries since 1975.²⁴ The ongoing boundary crisis is not the first stand-off along the un-demarcated Sino-Indian boundary in the Xi Jinping era. After two and a half decades of relative calm, the long-standing boundary dispute had flared up in 2013 and 2014, and the two militaries had also been involved in a 73-day stand-off in 2017 at the Bhutan-China-India trijunction. In each case, India had accused China of trying to change the status quo unilaterally, either by establishing a permanent presence or hindering Indian patrols in territory that both sides claim.

But the 2020-21 boundary crisis has been different. It has involved face-offs at multiple locations rather than just one, some territory that has not been contested for decades, larger deployments, a higher level of aggression, and the first fatalities and the first shots fired at the boundary in decades. Moreover, the crisis made clear that the set of boundary agreements, norms, and protocols that Delhi and Beijing had put in place between 1993 and 2013 to avoid just such escalations were insufficient or ineffective. Finally, the crisis developed at the same time as Beijing took an assertive stance on a number of fronts, including vis-à-vis Hong Kong, Taiwan, Australia, Canada, and Japan, as well as the South China Sea.

The motives for China's initial moves in spring 2020 across the Line of Actual Control (LAC) that serves as a de facto border between the two countries are still being debated. Among the questions that arose was whether the COVID-19 pandemic played a role. It is possible that it did at one or two levels. At the strategic level, analysts speculated that China's full-court press against a number of countries might have stemmed either from: 1) Xi Jinping trying to demonstrate resolve or strength, in the face of domestic concern and international criticism of his regime's handling of the pandemic,²⁵ or 2) Beijing's desire to take advantage of other countries, including the United States, being on the backfoot or distracted due to the coronavirus.²⁶

There are still many unknowns, but the pandemic might have also had an impact at the operational level. While the PLA undertook its annual spring military exercises on its side of the LAC after a short delay, India had postponed its exercises due to the pandemic. The PLA is reported to have conducted its initial moves at the LAC by redeploying the troops involved in its exercises. The Indian postponement, though, meant that its military did not have a presence in matching strength on its side of the LAC to resist those steps. Moreover, the Indian military consequently required additional time to move troops, who are usually involved in the annual exercises, from other locations.²⁷

The boundary stand-off continued during the course of the year and through the first half of 2021. China has repeatedly sought a return to business as usual in the relationship, with Foreign Minister Wang Yi and other officials calling for the border issues to be placed in "a proper place in bilateral ties."²⁸ However, while Beijing is seeking a restoration of the status quo ante in the relationship, Delhi has made clear that what it wants is a restoration of

the status quo ante at the boundary (i.e. the PLA to return to its positions as of late April 2020). Indian government officials have stressed that the boundary issue and the broader relationship cannot be separated, asserting that the “maintenance of peace and tranquility in border areas is *sine qua non* for progress in [the] rest of [the] bilateral relationship.”²⁹

Even as their militaries remain deployed in large numbers at frontline positions, the two countries’ military and diplomatic officials have continued to engage in dialogue. After a number of rounds of such discussions, in early 2021 the two sides reached agreement for their militaries to disengage at one of the stand-off locations.³⁰ The stand-off continues at others, and there has also not yet been a de-escalation of forces.

The impact of the crisis in India has been significant. As the Indian ambassador in Beijing noted, there has been considerable damage to Indians’ trust in China.³¹ It has hardened official views of China. And it has weakened the hands of those in Indian policymaking circles who argued for more engagement with China or for the idea that economic ties would help alleviate political strains. After the June 15 clash, the Indian external affairs minister told his Chinese counterpart, “this unprecedented development will have a serious impact on the bilateral relationship.” The Indian home minister, on his part, has linked China both to the boundary and health crises affecting the country.³²

Furthermore, the Indian government called Chinese “actions and behavior” at the border a “clear violation of the bilateral agreements and protocols concluded between the two countries” over a two-decade period from 1993.³³ The external affairs minister has issued repeated reminders that, despite a boundary dispute that dates back decades, “It was because of these agreements and the adherence to them that the bilateral relationship moved forward in other, different spheres, including the economic one.”³⁴

In the foreign and security policy establishment, there have been widespread calls for a reassessment of India’s China policy. The boundary crisis has resulted in a remarkable convergence among the Indian government’s former China hands, who believe that the fatal clash in June was a watershed moment, and the crisis has done significant damage to Sino-Indian ties. They have also predicted a more adversarial relationship in the future, and stressed the need for India to bolster its capabilities and partnerships to tackle China.³⁵ This has contrasted with the messaging coming from Chinese officials who have stated that “the orientation of China and India as partners, friendly cooperation and common development remain unchanged.”³⁶

As for Indian public sentiment on China, it was already sour due to the pandemic and only deteriorated with the killing of Indian soldiers in June. Among other things, this resulted in calls to boycott Chinese products, partners, and sponsors.³⁷

Consequences

The one-two punch of the pandemic and the boundary crisis have had consequences beyond a more competitive view of China in India. The increased Indian concerns—and in some cases, the abstract concerns now made real—have had at least three consequences in terms of India’s approach to China: first, domestic policy changes; second, doubling

down on like-minded partnerships; and third, active counter-COVID diplomacy. Arguably, if a year ago, one could describe India's approach as competitive engagement, today perhaps a better term is competitive coexistence—or at least a movement toward it.

Domestic Policy Changes

Policy consequences have resulted from the intensification of Indian concerns about: 1) economic overdependence on and exposure to China; 2) inroads that Chinese companies—particularly those with close links with the state—have made into sensitive Indian economic sectors, and 3) avenues of Chinese influence in the country. This has led to a slew of measures that will restrict or scrutinize Chinese activities in the economic, technology, telecommunications, civil society, and education sectors.

Before the boundary crisis, the Indian government announced restrictions on foreign direct investment from countries that share a land boundary with India—a move clearly directed against China. Furthermore, it reportedly urged the Securities and Exchange Board of India to increase its scrutiny of foreign portfolio investment from China and Hong Kong.³⁸

After the Chinese actions at the boundary, the Indian government took further action. Over the last year, Prime Minister Narendra Modi has emphasized *Atmanirbhar Bharat* (self-reliant India). One of its key objectives is to reduce Indian economic dependence on China. Road Transport, Highways, and MSME Minister Nitin Gadkari stated, “imports from China will be discouraged and the country will take large strides towards self-reliance.” He added that, within his portfolio, Chinese companies could be excluded from future road construction projects.³⁹ Having amended public procurement rules “to enable imposition of restrictions on bidders from countries which share a land border with India” on defense and national security grounds,⁴⁰ India now requires vendors to identify the country of origin on its online procurement platform.⁴¹

There have also been reports of other steps, signals, and scrutiny. An Indian state government put on hold some agreements with Chinese companies, and indicated that the central government told them “not to sign any further agreements with Chinese companies.”⁴² Delhi has reportedly considered further measures to curb and scrutinize imports, including to prevent Chinese goods from being routed through third countries.⁴³ There were also reports that Indian state-owned oil companies would no longer use Chinese tankers to ship crude oil or petroleum products.⁴⁴ The government is also providing incentives for Indian and foreign companies to manufacture in India, and to reduce dependence on Chinese imports in particular sectors such as solar power, electronics, and pharmaceuticals.⁴⁵

Sino-Indian technology sector ties have also been affected. Amendments to Indian investment rules will adversely affect Chinese technology companies interested or operating in India. Moreover, in multiple tranches, India has banned a number of Chinese apps on the grounds that they are “prejudicial to sovereignty and integrity of India, defence of India, security of state and public order.” These include TikTok, almost a third of whose total downloads had come from India, as well as AliPay.⁴⁶

There has also been an impact on the telecommunications sector. State-owned firms BSNL and MTNL canceled a tender issued in March 2020 to upgrade their 4G networks. A revised tender is expected to exclude Chinese firms Huawei and ZTE from bidding to

provide equipment.⁴⁷ There has also been a shift from the Indian approach in early 2020 when the government had announced that it would permit all vendors, including Huawei, to participate in India's 5G trials.⁴⁸ In December 2020, the government issued a national security directive for the telecommunications sector that would establish a process and mechanisms to identify trusted sources and products. Subsequently, Huawei and ZTE were not included in a list of companies permitted to participate in 5G trials in India.⁴⁹

India's critical infrastructure assessment could go further and have implications for Chinese investment in additional sectors. There have been reports that Chinese-state-linked groups have targeted India's power grid, and the government has also acknowledged such attempts—though not that the attempts were successful.⁵⁰ Regardless, both the vulnerability of India's systems and the potential for the Chinese government to exploit them, including during crises or for coercion, will not be lost on the Indian government.

In addition, after a phase of encouraging travel and exchanges from China, the Indian government seems set to adjust course in this sphere as well. Delhi has reportedly considered requiring prior security clearance for visas for Chinese business, civil society, and academic professionals. Indian institutions and universities' agreements with Chinese organizations, particularly Hanban, are also being reviewed and are likely to be discouraged.⁵¹

The response to these policy changes in India has been mixed. There have been questions about India's ability to reduce dependence on China, and the costs that will entail—particularly as India deals with the economic fallout of the pandemic. There are also concerns about supply disruptions, especially since Modi has been emphasizing the importance of India playing a greater role in global value chains. Others have questioned the government's motives, suggesting its restrictions stem more from a protectionist impulse and are reminiscent of pre-liberalization import substitution policies.⁵² And there has been anxiety in some quarters of the technology sector because China has been a major source of investment for Indian start-ups—by one estimate, two-thirds with a billion-plus-dollar value have at least one Chinese investor. Some of these investments have reportedly been put on hold.⁵³

Former Indian officials have acknowledged that these restrictions will hurt India, but have argued that it is still worthwhile to take these steps to reduce Indian exposure to and overdependence on China—and noted that it might be easier to take these steps when Indians are already feeling economic pain as a result of the pandemic. Gautam Bambawale, a former Indian ambassador to China, also expected these steps to lead to a deterioration of Sino-Indian ties, but said “so be it.”⁵⁴ Others have argued that alternative sources of capital and imports exist and should be explored. Indian government officials, on their part, have indicated that they neither expect overnight outcomes nor total decoupling, but have stressed the importance of starting the process.

Like-Minded Partnerships

The heightened concerns about China stemming from the pandemic and boundary crises have also resulted in India doubling down on—or seeking to deepen—partnerships with like-minded countries like the U.S., Australia, Japan, France, and to some extent South Korea, the United Kingdom, and Russia. Particularly as India has been tackling a trifecta

of national security, health, and economic crises that have exacerbated its resource constraints, these partnerships help India: 1) enhance its own capabilities, 2) balance and deter China, and 3) ensure that a rules-based and multipolar order prevails in the region.

And it has found willing partners. After all, India has not been the only country with twin concerns about China related to Beijing's handling of the pandemic and assertive behavior. These concerns have helped fuel a more competitive view of China in a number of major and middle powers—and in a country like the UK, arguably even caused a shift away from a relatively accommodating approach.⁵⁵ These concerns have also resulted in discussions among these powers about unilateral and collaborative efforts to signal their displeasure with China, insulate their own systems and societies, build individual and collective resilience, blunt Chinese influence in international organizations, deter further assertiveness from Beijing, and limit the gains China can make in smaller states.

Thus, there is demand in India and supply from other countries for partnership. And over the last year, India has deepened ties, including with the U.S. Bilaterally, Delhi has been in close touch with Washington through the boundary crisis, seeing the U.S. as helpful in terms of being a source of diplomatic support, military equipment, and intelligence. The two countries held an in-person 2+2 defense and diplomacy ministerial dialogue in October, signing a “foundational” agreement that will facilitate interoperability and intelligence sharing. Momentum has not flagged with the transition in Washington, with Delhi engaging actively with the Biden administration on a range of issues and welcoming an early visit by Secretary of Defense Lloyd Austin in March. With Australia, India signed a military logistics sharing agreement, upgraded its 2+2 to the ministerial level, and reached an agreement to cooperate on cyber affairs and critical technology.⁵⁶

Beyond the bilateral dynamics, concerns about dependence on China—and the potential for supply chains getting disrupted or being used coercively—have also led India, along with Australia and Japan, to discuss a Supply Chain Resilience Initiative. A meeting of their economic ministers noted that they would welcome other like-minded partners.⁵⁷

Delhi has also deepened its cooperation with Australia, Japan, and the U.S. via the quadrilateral dialogue or “Quad.” An in-person ministerial was held in Tokyo in October 2020, and, after hesitating for a number of years, Delhi invited Australia to participate in MALABAR, the annual India-Japan-U.S. maritime exercise, in November. Last year, India also participated in a deputy secretary of state-level grouping with the other Quad countries and New Zealand, South Korea, and Vietnam to discuss and tackle COVID response and recovery.

With the Biden administration embracing the Quad, Delhi agreed to a ministerial in February 2021, and, for the first time, a leaders' summit in March—despite sensitive ongoing talks with China, which has objected to the Quad as an anti-China bloc.⁵⁸ The Quad leaders outlined the purpose of this “flexible group of like-minded partners,” alluding to China without mentioning it: “striving to ensure that the Indo-Pacific is accessible and dynamic, governed by international law and bedrock principles such as freedom of navigation and peaceful resolution of disputes, and that all countries are able to make their own political choices, free from coercion.” While there have been questions in some quarters in the U.S. about how aligned India is on values because of what is perceived as a strain of illiberalism, the countries also emphasized their identities as democracies as being a crucial part of

what united the Quad. They also noted their desire to see a region “anchored by democratic values.”⁵⁹ Outcomes of the summit included a vaccine initiative (more on this below), and a critical and emerging technology working group that, among other things, will address critical infrastructure and supply chain resilience.⁶⁰

India is also likely to be open to participating in other such issue- or interest-based coalitions. For instance, a potential D10 (G7+Australia, India, and South Korea, proposed by Britain to deal with concerns related to reliance on China for 5G and other technologies). In June 2020, it also joined the Canadian and French-proposed Global Partnership on Artificial Intelligence as a founding member.⁶¹ Delhi has also taken the lead in forming other such initiatives such as the International Solar Alliance and the Global Coalition for Disaster-Resilient Infrastructure (China is a member of neither).

Simultaneously, India is continuing to participate in plurilaterals that involve another partner— Russia—as well as China: the Russia-India-China trilateral, the BRICS grouping, and the Shanghai Cooperation Organization. However, the scope and degree of these interactions are more limited, though they do provide a platform for Delhi and Beijing to engage even during crises.⁶² Delhi also considers participation in these initiatives to be important to bolster its Russia relationship. It continues to view Moscow as a key partner, particularly in the defense equipment and technology realm, despite concerns about Russia’s deepening ties with Beijing.⁶³

Counter-COVID Diplomacy

Some of these partnerships have also played a role in the third area where concerns about China have made an impact on the Indian approach: counter-COVID diplomacy. India’s activism, particularly before it was hit with a deadly COVID-19 wave in spring 2021, had multiple objectives: countering China’s attempts to increase its influence; bolstering India’s image as a provider of global public goods and first responder in its neighborhood; and, taking advantage of its partners’ concerns about China, highlighting itself as an attractive alternative option for investment from their countries.

The Indian government was proactive during the first year of the pandemic with diplomatic outreach, economic aid, technical assistance, and the provision of medical supplies. South Asia and the Indian Ocean region have been a special area of emphasis—in part to mitigate Indian concerns about increasing Chinese influence in this area. For instance, Delhi announced additional financial assistance to Maldives, as well as a currency swap arrangement and debt rescheduling discussions with Sri Lanka.⁶⁴ It also helped evacuate its neighbors’ citizens from third countries, and convened health officials from the South Asian Association for Regional Cooperation member states.⁶⁵

Delhi’s ability to respond to China portraying itself as a model—and contrast to democracies—as well as a regional public goods provider will depend over time on how India ultimately fares in this pandemic, in health, economic, and social terms. However, in the initial year (before the spring 2021 COVID-19 surge), the Indian government was not shy about publicizing its efforts. It even highlighted Delhi’s assistance to China at the start of the pandemic, while emphasizing that most of the supplies India received from China were commercially procured.⁶⁶

Recognizing its constraints, including a capabilities gap with China, Delhi also saw a role for its major power partners. While it has traditionally disapproved of external powers' activism in South Asia, it has recently not looked askance at like-minded countries' efforts in the region. For instance, Washington has provided assistance to a number of countries in the region affected by the coronavirus. And, when in office, Secretary of State Michael Pompeo spoke with the foreign ministers of Bangladesh, Maldives, Nepal, and Sri Lanka to discuss the pandemic.⁶⁷ The Biden administration announced it would be sending vaccines to the region. Tokyo, on its part, agreed to provide both additional loans and budgetary support to Bangladesh.⁶⁸ India will also be working with its Quad counterparts on a major vaccine initiative that will make an additional 1 billion doses available by 2022, particularly in Southeast Asia.⁶⁹

Indeed, India's status as the largest manufacturer of vaccines in the world gave it the opportunity to assist its neighbors, contribute to the WHO's COVAX facility, and highlight the delivery of India-produced vaccines procured by countries around the world. By late March 2021, India had disbursed over 10 million vaccine doses on a grant basis. Nearly 18 million Indian-made vaccines were also supplied to COVAX, and 35 million doses were purchased by and dispatched to other countries.⁷⁰ The foreign ministry frequently publicized the arrival of these vaccines in various countries, and the messages of gratitude received. The Indian media meanwhile covers any stumbles that China's vaccines face in the region, highlighting the contrast.⁷¹

The Indian government was not reticent about emphasizing contrasts with China, particularly on the reliability front. For instance, it lifted or made exceptions to its export restrictions on certain pharmaceuticals, even as countries were concerned about various Chinese restrictions and supply disruptions.⁷² Partly, this stemmed from hope that countries and companies that might choose to diversify post-COVID-19 will come to see India as attractive—either as an alternative to China or as part of countries and companies' diversification (or China-plus-one) strategies. Modi himself has pitched India as the un-China, telling investors, "If you want returns with reliability, India is the place to be. If you want demand with democracy, India is the place to be. If you want stability with sustainability, India is the place to be."⁷³

China's Response

The Chinese response, particularly to India's policy measures, has been a mix of persuasion, objections, warnings, and suggestions of legal action or retaliation. In isolation, one or two Indian steps might not have mattered to the Chinese government—India, for instance, is far more dependent on Chinese imports than the other way around. But collectively, they can have an impact. Moreover, in particular sectors such as telecommunications and technology, these Indian restrictions have implications for Chinese companies' valuations and their access to a significant and growing market. Beijing has also seemed to worry about the global impact and perceptions of the Indian moves, and has raised questions about the link between Indian actions and those of others like the U.S. and Australia.⁷⁴

Thus, the Chinese government has objected to a number of the steps India has taken to restrict Chinese activities. The Chinese ambassador to India Sun Weidong has spoken to civil society and media audiences calling for relations to get back on track. But he has also warned against the “forced decoupling of the Chinese and Indian economies,” noting that “it will only lead to a ‘lose-lose’ outcome.” The ambassador has further suggested that Indian restrictions “violate market laws and WTO rules.” Furthermore, he has reminded Indians of how dependent they are on imports of certain products from China, and has warned that even non-Chinese multinational companies operating in India will be adversely affected.⁷⁵ Chinese state-linked media outlets have gone further, suggesting that Beijing could retaliate (that, however, would likely only prove the Indian government’s point and could lead to further Indian restrictions, including, for instance, on exports of pharmaceuticals to China). Finally, Chinese analysts have been dismissing India’s attractiveness as an alternate destination for investment, for example, questioning its capability or highlighting obstacles such as labor trouble.⁷⁶

There have been some questions about whether progress in disengagement talks could lead to India reversing some of its policy changes. It is possible, even likely, that if the border situation improves, Delhi will ease some restrictions and approve certain Chinese investments, but only in non-sensitive sectors. Broadly though, as Shyam Saran asserted in July 2020, “tensions may subside, but the relationship will never be the same again.”⁷⁷ Delhi will not stop engaging Beijing in the future, but the nature, extent, and expectations of that engagement will change.

Moreover, India’s increased engagement with like-minded partners will have an effect on China. Beijing has been critical of Delhi deepening these ties, particularly via the Quad. There is a debate about whether in response China should take a carrot or stick approach toward India. Those advocating the latter have called for more pressure on India, arguing that it is effectively a U.S. ally. Those recommending the former, however, have suggested alleviating tension and creating a wedge between India and the like-minded states.⁷⁸ The outcome of this debate will likely determine how far competition between China and India goes—and how intense it gets.

Conclusion

In spring 2021, India experienced a deadly second COVID wave. In contrast to China, where the costs of the outbreak in Wuhan were unclear, the consequences in an open society such as India were visible and stark. So were some of the competitive trends mentioned above, including China portraying itself to India’s neighbors as a stabler and more effective provider. On the positive side, just as India assisted China at the beginning of the pandemic, Beijing offered to help India. However, just like the story at the start of this chapter, once again what started as a cooperative move got mired in concerns about China suspending cargo flights, Chinese suppliers raising prices of essential supplies, the question of whether Beijing was offering assistance or merely using commercial contracts to make a point, and the issue of whether India would even accept help from China.

In the months ahead, as India tackles the pandemic, a former Indian foreign secretary’s contention remains valid: “how we handle this crisis will determine our place in the world of the future.” The outcome of its efforts will also determine India’s ability to serve as

a geopolitical contrast, economic alternative, and an effective democratic contrast to China. And it will shape the debate about whether democratic or authoritarian states are more effective at tackling crises and delivering solutions for their own publics, as well as the region.

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The Pandemic and its Impact on the South Korea-Japan Identity Clash

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The global pandemic caused by the onset of the novel coronavirus known as COVID-19 has tested governance at both the national and international levels by challenging the capacity of nations to provide effective public health solutions to protect their citizenry. The pandemic has deepened preexisting international rivalries while also creating diplomatic opportunities to promote international cooperation and public diplomacy. Rather than serving as a turning point for a new era in international relations, the pandemic and the global response appear primarily to have accelerated preexisting trends.¹ In Northeast Asia, the pandemic has accelerated deepening rivalry between the United States and China, reinforced political paralysis between Japan and South Korea, primarily by providing a pretext for privileging domestic concerns and constituencies at the expense of international relations, and has generated heightened new foreign policy challenges resulting from deepening identity-based major power rivalries.

This chapter reviews the deepening of identity-based challenges facing Japan-South Korea relations prior to 2020, examines the conditions generated by leadership responses in both countries to the pandemic, identifies missed opportunities for pandemic-related cooperation between the two countries, and addresses challenges and opportunities facing the Japan-South Korea relationship in the context of anticipated recovery from the pandemic as well as the shifting geopolitical environment as tensions mount between China and the United States.

Trajectory of Japan-South Korea Relations Pre-COVID

Prior to the onset of COVID-19 in early 2020, the Japan-South Korea relationship was in a downward spiral following the deterioration under Japanese prime minister Abe Shinzo and South Korean president Moon Jae-in. Identity issues underpinned the Moon administration's initial criticism of and eventual decision in 2018 to walk away from the 2015 Japan-South Korea "comfort women" agreement. Conflict over identity issues further informed a series of South Korean Supreme Court rulings from October 2018 to January 2021 on forced labor and "comfort women" that were at odds with prior Japanese court judgments and longstanding Japanese government interpretations of the 1965 Claims Agreement that accompanied diplomatic normalization between Japan and South Korea. Tensions ratcheted up with a December 2018 confrontation between Japanese and South Korean defense forces, in which the two made competing claims regarding the circumstances surrounding a South Korean destroyer that allegedly locked its fire control radar on a Japanese intelligence plane. Finally, Japanese export restrictions on chemicals used in South Korean semiconductor production led to a broader trade spat and the South Korean threat to retaliate by withdrawing from a Japan-South Korea military intelligence-sharing agreement. These incidents soured public attitudes in both countries toward the other and eroded cooperative relationships between the defense and business communities, two constituencies that had provided ballast for the relationship during prior periods of tension.

The entanglement of the Japan-South Korea relationship in South Korea's increasingly polarized domestic politics certainly contributed to the downturn in relations under the Moon administration. As part of its campaign to eradicate "past accumulated evils," the Moon administration detained Yang Sung-tae, former Supreme Court chief justice during the

Park Geun-hye administration, on accusations of personnel mismanagement and improper consultation with the executive branch on a variety of issues including Supreme Court cases involving charges of forced labor against Japanese firms. The inclusion of Yang's handling of forced labor cases in the litany of alleged wrongdoings and excessive executive influence on the judiciary entangled South Korea's relationship with Japan in Moon's agenda for judicial reform. At the same time, the Moon administration sought to implement a far-reaching revamp of prosecutorial functions as part of an effort to strengthen judicial independence from the executive branch, while arguing that it was constrained in its ability to intervene in the implementation of Supreme Court judgments in favor of individual Korean victims or court orders to hold Japanese companies accountable through the seizure of their assets held in South Korea.

The Moon administration's decision to criticize and eventually unravel the 2015 "comfort women" agreement further contributed to deterioration and stalemate in the Japan-South Korea relationship.² Upon taking office, the administration ordered the foreign ministry to conduct an internal review of the negotiations around the agreement in response to public criticism from "comfort women" that the government had consulted with them insufficiently prior to its signing. The review did not result in South Korea's retraction of the agreement, although Moon strongly criticized it as "defective" and urged Japan to "accept the truth and apologize with a sincere heart" upon the review's completion in January 2018. However, following the announcement of the results of the forced labor case in October, the Moon administration decided in November 2018 to announce the disbanding of the Japan-funded Reconciliation and Healing Foundation on grounds that the foundation had lost its purpose.³ Abe expressed his deep disappointment, stating that "relations between states don't work when international agreements aren't kept."⁴

The December 20, 2018 "fire-lock incident," involving an encounter in Japan's Exclusive Economic Zone off Ishikawa prefecture between a South Korean destroyer engaged in a humanitarian operation and a Japanese Maritime Self-Defense Forces P-1 patrol aircraft, caused further tension in the relationship.⁵ Conflicting narratives regarding the incident between the Japanese Self-Defense Forces and the South Korean Ministry of National Defense eventually led to public release of video footage by both nations designed to support their respective points of view. Japan's Ministry of Defense argued that the South Korean patrol irradiated the P-1 aircraft with its fire-control radar, while the South Korean Ministry of National Defense released its own video of the incident and argued that it did not direct its radar at the Japanese patrol plane. The nature of the incident and the competing claims generated internal political pressures on both defense ministries to defend their positions and place the blame on the other side.

The deterioration of the Japan-South Korea relationship and ongoing conflict over historical issues led the Japanese government to impose restrictions on the export of three chemicals critical to the manufacture of South Korean semiconductors and the removal of South Korea from Japan's White List of closest trading partners.⁶ These measures generated strong public backlash in South Korea, including boycotts against Japanese firms such as Uniqlo, and a dramatic downturn in tourism between the two countries. South Korea pursued arguments against Japan's export restrictions at the World Trade Organization and threatened to end its participation in a bilateral General Security of Military Information Agreement (GSOMIA) between Japan and South Korea that entered into force in 2016.

The Japan-South Korea relationship remained in the deep freeze throughout 2019 and into 2020 at the beginning of the pandemic. In a 2019 survey of opinion in each country by Genron NPO, a Japanese think tank, and the East Asia Institute, its Korean counterpart, more than 49% of South Korean respondents said they had either a “bad” or “relatively bad” impression of Japan. In the 2020 poll, 71 percent of South Koreans had either a “bad” or “relatively bad” impression of Japan, an increase of 21.5 percentage points from the 2019 survey. The percentage of those with either a “good” or “relatively good” impression of Japan plummeted from 31.7 percent in 2019 to just 12.3 percent in 2020. In 2020, a whopping 88.4 percent of South Korean respondents characterized Japan-South Korean relations as either “relatively bad” or “extremely bad,” an increase from 66.1 percent in the 2019 survey. Views of South Korea among the Japanese public are slightly better. Under half (46.3 percent) of Japanese respondents expressed either a “bad” or “relatively bad” impression of South Korea in 2020, a 3.6 percentage point improvement over 2019. Still, in 2020 more than half of respondents (54.7 percent) described Japan-South Korea relations as either “relatively bad” or “extremely bad,” an improvement from 63.5 percent in the previous poll.⁷

The South Korean government decided at the end of 2019 to “suspend its withdrawal” from GSOMIA while Japan’s removal of South Korea from its White List and its imposition of export controls of three critical chemicals had not in practice caused significant damage or even a halt in supply. But putting a floor on the deterioration of relations between the two sides has resulted in stalemate and stagnancy, a trend reinforced by the global prioritization of domestic needs over global goals that has accompanied the pandemic. The advent of COVID-19 placed a priority on domestic affairs at the expense of international relations globally, both because the immediate public health crisis necessitated domestic management of the spread of the disease and because opportunities for diplomats to meet face-to-face in order to conduct international diplomacy were drastically curtailed.

South Korea’s Handling of COVID-19

The spread of a new coronavirus in Wuhan and other parts of China fixed the attention of international observers on a crisis that initially seemed distant, but soon challenged both national and global governance as nations grappled to contain, mitigate, and isolate the spread of the virus. The World Health Organization sounded the alarm and disseminated information about the virus, but responsibility for protecting citizens fell to national public health bureaucracies in coordination with local health infrastructures. After an initial struggle to contain the virus following its spread from China, South Korea’s successful public health response came to be hailed as an international model for limiting its spread and became a diplomatic opportunity for the Moon administration to burnish South Korea’s image as a leader in public health.

South Korea recorded its first COVID-19 cases on January 20, 2020.⁸ Within days, it became the first epicenter for spread of the virus outside of China.⁹ The Korean Center for Disease Control (KCDC) nimbly applied lessons learned from the spread of Sudden Acute Respiratory Syndrome (SARS) in the mid-2000s and the Middle East Respiratory Syndrome (MERS) in 2015 to contain the first wave of the virus within weeks, providing a textbook example of effective contagious disease response.

The Moon administration initially took heat from the Korean Medical Association for not applying a strict quarantine to travelers from China, in contrast to the U.S. early China travel ban. Such bans, however, proved far less consequential than the capacity of authorities to mount an effective public health campaign involving testing, tracing, and patient treatment. Korean authorities were criticized for exporting masks to China in the early stages of the crisis without sufficient regard for the need to produce adequate personal protection equipment (PPE) supplies in the event that the outbreak spread to South Korea. But South Korea quickly overcame PPE production shortfalls and became a top exporter of PPE by April 2020, by which time the epicenter for spread of the virus had shifted to Europe. As South Korea brought the virus under control through effective KCDC management, the Moon administration touted South Korean successes as a model for other countries and made provision of PPE a component of its public diplomacy at international forums.

The first step in South Korea's pandemic response was its mobilization of effective public-private cooperation to produce a test for COVID-19 detection based on information about the genetic structure of the virus provided by China.¹⁰ This public-private coordination enabled South Korea to ramp up an effective testing regime. Within days, companies were producing tests and labs were analyzing the results to diagnose COVID-19 cases. South Korea also introduced drive-through testing, a technique quickly adopted around the world that made testing widely available and reduced contamination risks that otherwise would have accompanied patients into doctors' offices and hospital waiting rooms.¹¹

The second element of South Korea's response learned from prior experience with SARS and MERS involving the mobilization of cell phone technology to conduct contact tracing.¹² By marrying cell phone tracking with information about the movements of those who had contracted COVID-19, the KCDC effectively traced the spread of the disease and provided text message warnings to those people who had come into contact with identified COVID-19 carriers and to those people visiting places also visited by COVID-positive patients. This technology-driven approach has inspired debate about balancing public health concerns and individual privacy, both through the tracing of the proximity of individuals to locations where spread occurred and through the use of information about individual whereabouts without user consent.

The third element of South Korea's successful initial COVID-19 response involved treatment practices that reduced the burden on hospital caseloads and provision of quarantine facilities where doctors and nurses could monitor patients while reducing the risk of further spread.¹³ South Korea's quarantine protocols and offers of testing for undocumented migrants without threat of deportation also included quarantine requirements and provision of room and board for foreigners to prevent travelers from introducing the disease from outside South Korea.¹⁴

South Korea's response to COVID-19 benefited from high public trust in specialized expertise within South Korean government institutions earned on the basis of performance in handling of MERS. KCDC Director Jeung Eun-kyung and her colleagues led South Korea's response with twice daily briefings that emphasized the importance of a public health response to the virus and provided the South Korean public with clear guidelines on how to respond. South Korea also benefited from the fact that mask-wearing was already a part of the culture, as a means to prevent spread of illnesses, to show courtesy to the health of

others, and due to worsening air quality.¹⁵ The benefits and utility of mask-wearing were already widely accepted in South Korea, and further strengthened by guidance from the KCDC emphasizing the importance of PPE, social distancing, and hand washing.

Thanks to its mobilization of public-private cooperation, its technology-driven approach, its effective treatment practices, its culture of mask-wearing, and the relatively high compliance of the South Korean public with government instructions, South Korea avoided a China-style lockdown in its initial response to COVID-19. Day-to-day activities in many areas were subdued, but not suppressed, by state guidelines. Many restaurants remained open, though economic activity was hindered by South Korean personal choices to avoid dining choices that might heighten the risk of community spread. South Korea quickly dropped from the country with the second largest number of detected cases at the beginning of March 2020 to ranking seventy-fifth in number of cases by the end of August.¹⁶ It experienced a relatively low COVID-19 death toll in 2020, and maintained a low mortality rate per capita during this time period.¹⁷ A second wave challenged South Korea's initial success and led to a stricter round of social distancing guidelines through the winter of 2020-21, but by and large the KCDC successfully kept the daily rate of infections below one thousand.

Despite this success, the Moon administration found itself facing a new round of public criticisms for failing to contract with leading pharmaceutical companies to ensure early delivery of the vaccine to South Korea. While Americans began receiving Pfizer and Moderna vaccines in December of 2020, the AstraZeneca vaccine did not come to South Korea until February 27, 2021. The relatively slow procurement of vaccine generated domestic criticism, but this policy failure did not have a major impact on international perceptions of South Korea's successful and proactive public health response to COVID-19, which became a talking point for the Moon administration at international meetings. South Korea's supply of COVID-19 test kits and PPE has become an opportunity for it to enhance its positive image and engender international good will. Moon even proposed the establishment of a regional public health organization in Northeast Asia in his October 2020 UN General Assembly speech. But preexisting regional rivalries, including the rising U.S.-China rivalry and stalemate in the Japan-South Korea relationship, have constrained the ability to follow up on this proposal. Though the proposal provided an opportunity for diplomatic follow-up with Japan, it is unclear whether the Blue House reached out to Japan to request its support and participation in the proposed regional healthcare body. Instead, the single major initiative the Moon administration to reach out to Japan has involved using the summer 2021 Olympics as a catalyst for diplomacy toward North Korea.

Japan's Handling of COVID-19

The Japanese government was on the front lines of the COVID-19 response, both as a result of the early identification of Japan's first diagnosed case on January 15, 2020,¹⁸ and as a result of the early outbreak of cases on a cruise ship, the Diamond Princess, that docked in Japan.¹⁹ In its initial stages, the Japanese government's response focused on the application of quarantines and travel bans to prevent the virus from entering Japan, while relying on a "cluster-based approach" to identify and address sources of spread.²⁰ The government declared a national emergency from April 7-May 25, 2020 and subsequently reissued a

state of emergency in Tokyo from January 7 through March 2021.²¹ These emergencies coincided with two waves of virus spread that resulted in peaks in hospitalizations and deaths in Japan. Japan's government was also attentive to the negative impact of the virus on the economy, passing two major government relief packages for companies and individuals impacted by COVID-19 in April and May 2020.²²

Following initial reports of COVID-19 spread, Japan quickly strengthened border controls and banned flights from areas affected by the pandemic. Border restrictions on individuals who had traveled from China's Hubei Province were implemented on February 1 and from China's Zhejiang Province on February 13, followed by restrictions on flights from South Korea on February 27, and from most European countries on March 21. Authorities required polymerase chain reaction (PCR) tests and quarantines for travelers from those areas. With the rapid global spread of the virus, Japan found itself with no choice but to postpone the Tokyo Olympics on March 26, 2020.

The Japanese government identified its main goals as early detection of and response to COVID-19 clusters, enhancement of availability of intensive care facilities and medical equipment, and modification of public health behaviors among the citizenry by requesting that citizens abstain from public activities, by closing schools temporarily, and by avoiding the "3Cs" (closed spaces, crowded places, and close-contact settings).²³ By issuing national emergency orders in response to the pandemic, the central government strengthened its public messaging and played an oversight and mobilization role, but had relatively little central authority to enforce public health mandates. This put political leaders in a difficult position, caught between responsibility for managing the pandemic response and limited authority to take stringent measures such as lockdowns.²⁴ Japan has, therefore, relied on persuasion rather than coercion to encourage local authorities and the Japanese public to follow central government guidance.

Japan has grappled with major challenges in the course of its response to the pandemic crisis. Similar to many countries, the greatest concerns revolved around securing adequate PPE, ICU capacity, and equipment necessary to properly treat COVID-19, as well as the risk of overtaxing healthcare professionals. In contrast to the strong centralized role of the KCDC, Japan's public health system is relatively decentralized, relying on a network of Public Health Centers (PHC) at the local level to act as the gatekeeper for screening, management, and referral of cases to various hospitals. Through the PHC system, Japanese authorities have sought to identify and isolate primary vectors for transmission of the virus as its primary response, rather than resorting to the lockdowns utilized in many countries. The PHC system has also been charged with triaging COVID-19 patients by level of severity of symptoms to provide effective treatment while avoiding bottlenecks and unnecessary burdens on the public health infrastructure.

A major constraint that emerged in Japan's response to the first wave of the crisis in the spring of 2020 was the relatively limited availability of PCR test kits in Japan. This and restrictions on testing provided a worrisome constraint on Japan's ability to identify and contain cluster infections, which was central to Japan's response strategy. The PHCs were "bottlenecks for testing" and due to inadequate technological infrastructure could be inefficient in sharing critical patient information, placing additional strain on the hospital system already dealing with a flood of patients.²⁵ Japanese authorities did not seriously

consider adoption of South Korea's innovative drive-through testing. Authorities also struggled with the introduction of telemedicine, the adoption of which faced a number of cultural and technical obstacles.²⁶

The Japanese government proactively worked to curtail the economic impact of COVID-19 by issuing two major economic packages. The first, a March 2020 1 trillion yen emergency package, focused on supporting businesses impacted by COVID-19.²⁷ The following month, the government authorized a ¥100,000 yen handout to all citizens regardless of income.²⁸ A second 1 trillion yen relief package was authorized in May 2020, followed by a "Go to Travel" campaign that promoted domestic travel within Japan as a means to stimulate spending and support sectors most dramatically impacted by the pandemic.²⁹

Despite concerns that Japan's public health system was under stress, Japan emerged from the first wave of COVID-19 in relatively good shape. Abe touted Japan's cluster-based approach to handling of the crisis as worthy of emulation, declaring on the occasion of the lifting of the state of emergency in May 2020 that "with this unique Japanese approach, we were able to control this [infection] trend in just 1.5 months; I think this has shown the power of the Japanese model."³⁰ There were reports that Japan was early to join an agreement with leading pharmaceutical companies to secure 120 million doses of vaccine, the manufacture of which would take place in Japan to ensure efficient distribution. However, those reports proved to be exaggerated in practice as Pfizer vaccine availability was limited and other vaccines were slow to win approval for use in Japan.³¹ Abe suggested the establishment of an international "vaccine patent pool" to aid in securing vaccine distribution to developing nations and as a means of countering Chinese vaccine diplomacy.³²

The Japanese model faced a more severe test in early 2021, with a third wave of COVID-19 cases requiring the government to announce another state of emergency. This time, Japan was much better prepared on the testing front, but faced more significant challenges in terms of volume of patients and stress on the broader hospital system. But the Japanese response to the crisis was relatively effective in containing the virus. By February 2021, the number of COVID-19 patients was steadily decreasing from its January peak, according to statistics provided by the Ministry of Health, Labor, and Welfare.³³

Missed Opportunities for Pandemic Diplomacy

The Japanese and South Korean responses to the pandemic have largely unfolded in parallel, with the pandemic primarily reinforcing preoccupations with domestic considerations over foreign policy concerns. The main obstacles to the improvement of the Japan-South Korea relationship have remained in place during the pandemic as a result of the two leaders' preoccupation with domestic concerns. These circumstances have left the Japan-South Korea relationship in a state of inertia following the sustained deterioration that began in early 2018. While Japan-South Korea relations have not worsened, the pandemic has resulted in a number of missed opportunities for Japan and South Korea to utilize cooperation on COVID-19 response as a catalyst for improving their relationship.

For instance, as one of the first nations to find itself on the other side of the curve, South Korea had the opportunity to reach out to Japan when it was still experiencing its first wave of infections. A South Korean offer to provide assistance with PPE and testing kits during late April and early May 2020 would have made a positive impression on the Japanese public, even if the Abe administration were to refuse the offer. At that point, Japan faced a critical shortage of test kits, and stocks of PPE were also in short supply as Japanese hospitals began to face the first wave of patients. This was a potentially golden moment for pandemic diplomacy, as South Korea began to ramp up an international messaging campaign touting its initial success in managing the pandemic in April. But South Korea did not offer, and Japan did not request, pandemic-related assistance at this time, in part due to the preexisting negative atmosphere surrounding the bilateral relationship and in part due to prior domestic criticisms of South Korea for providing PPE stocks to China, depleting the stockpile for use in the event of a Korean crisis. *Asahi Shimbun* noted that both Abe and Moon had proposed parallel proposals for international cooperation in response to the pandemic, concluding that “the neighbors should now forget about face-saving and instead share information and needed supplies to overcome the crisis together.”³⁴ The paper further observed that “the COVID-19 pandemic has underscored the importance of the international sharing of knowledge and information in the areas of health care and epidemic prevention” as part of an in-depth review of problems in the Japan-South Korea relationship and how they might be addressed.”³⁵ But no action was taken in response to such recommendations in the summer of 2020.

A second missed opportunity came in the fall of 2020, when Moon recommended as part of his speech to the UN General Assembly the establishment of a regional organization dedicated to responding to the pandemic. But the Moon administration failed to pursue specific follow-ups and did not utilize the proposal as a vehicle for improving relations with Japan, despite the clear necessity of Japan’s support for the proposal’s success. Instead, by pursuing parallel proposals for multilateral cooperation at different venues, the pandemic response appears to have become a new venue for Japan-South Korea political competition—despite support among international observers for both to utilize the pandemic to join forces and provide regional leadership.³⁶

Despite its failure to forge cooperation with Japan around pandemic responses, the Moon administration has attempted to reset its relationship with Japan following Joseph R. Biden’s electoral victory. Moon’s initiatives have aligned closely with its broader diplomatic priority of promoting engagement with North Korea by proposing that Japan might utilize its hosting of the Tokyo Olympics in the summer of 2021 as the foundation for a new diplomatic initiative toward North Korea. South Korea’s spy chief Park Chi-won proposed such an initiative during a visit to Japan in November 2020, suggesting the possibility of a multilateral summit involving North Korean leader Kim Jong-un, Suga, Biden, and Moon. But it remains to be seen whether any substantive diplomatic efforts will emerge around the idea of using the Olympics for a second time to jumpstart summit-level diplomatic outreach to North Korea.

Sino-U.S. Competition and its Influence on the Japan-South Korea Identity Conflict

The U.S. framing of deepening conflict between the United States and China could further add indirectly to tensions in Japan-South Korea relations, especially as related to the United States. Japan is well on the road to exploring balancing options against China's expanding maritime influence through its authorship of the concept of the "Free and Open Indo-Pacific" region that has become the Obama, Trump, and Biden administrations' default strategic concept framing the approach to the region. South Korea, on the other hand, has sought to accommodate China while simultaneously cooperating with the United States, reflecting the country's dependency on economic relations with China as a source of economic growth while relying on the alliance with the United States to guarantee South Korea's security.

The pandemic served as an accelerant for rising Sino-U.S. rivalry, while also generating new management challenges for South Korea as a third party that pursued choice avoidance in the face of rising demands from both Washington and Beijing. China and South Korea were two countries that successfully contained the initial wave of COVID-19 spread by using very different models, with China achieving success through lockdown while South Korea utilized vigilance, technology, and effective public messaging to achieve its success. But South Korea resisted the temptation to be placed in competition with China in the spring of 2020 as a democratic alternative to China's lockdown. South Korea also declined to take up the values banner in competition with China's initial pandemic diplomacy efforts to provide PPE and test kits to European countries struggling with spread of the virus, to promote a democratic alternative to China's diplomatic efforts.³⁷

The Biden administration's emphasis on like-mindedness among allies as the framing for its Indo-Pacific diplomacy, again raises expectations and pressure designed to hem in South Korea to make rather than avoid strategic choices between the United States and China. On the one hand, "peer pressure" may induce greater alignment by South Korea with the United States and Japan, especially to the extent that "fear of missing out" (FOMO) motivates South Korea to consider whether inclusion in like-minded country groups such as the Quad or the D-10 would give South Korea enhanced influence to push for its own preferred outcomes, especially as related to compartmentalizing some forms of cooperation with China even in the context of growing competition.

But there is also the possibility that South Korea may react negatively to U.S. pressure on South Korea to align with a broader group on the basis of common values without due consideration of South Korean strategic interests in maintaining some forms of cooperation with China, especially if South Koreans perceive that pressure as being generated by enhanced Japanese influence on U.S. policies, or perceive a pro-Japan tilt at the expense of South Korea, in the Biden administration's approaches to the Indo-Pacific strategy.

Secretary of State Tony Blinken's early and stark emphasis on the need for "diplomacy to check the rise of authoritarianism ... [and] to shore up democracy" has drawn a line that is likely to deepen identity-based competition between the United States and China.³⁸ Further, the U.S. strategy involves coalition building among like-minded countries in favor

of observing a rule-based international system as distinguished from authoritarian systems. This framing casts authoritarian systems as dissatisfied with rules of the road, likely to resort to coercion to achieve national goals, and as challengers to the liberal international order. It raises the costs of hedging for South Korea and presents particular difficulties and contradictions for the Moon administration, which claims domestic legitimacy based on associations with South Korea's democratization while hesitating to embrace international cohesion with fellow democracies.

The Biden administration's framing of Blinken's first trip to Asia colors in a strategy around the strategic framing of a competition with China that involves conflict between democratic and authoritarian identities. The holding of the first Quad summit sent a message that like-minded countries are prepared to work together to provide public goods such as vaccines to countries in need as a means of countering China's own vaccine diplomacy. The Quad further delineated supply chain security and cooperation on climate change issues as future priorities.

Then the Biden administration held two-plus-two meetings with Japanese and Korean allies as the first cabinet-level engagement in the region immediately prior to the first high-level U.S.-China meeting. These meetings further reinforced the objective of restoration of alliances and coalition-strengthening among allies as a framing that would allow the United States to engage China "from a position of strength" as like-minded countries.

The holding of these meetings as the first overseas in-person, cabinet-level engagement of the Biden administration showed that the U.S. desires to restore U.S.-Japan and U.S.-South Korea alliance cooperation on the basis of partnership and consultation designed to reaffirm common values and common objectives, that alliance coordination is essential to its coalition-building strategy in competition to counter China's use of coercive measures to overstep or bend international norms to its advantage, and that the competition with China would be organized around common values and shared identities among democratic partners.

The Biden administration's choreography of alliance-based coordination of back-to-back two-plus-two meetings successfully secured formal endorsement, in both Tokyo and Seoul, of efforts to restore trilateral U.S.-Japan-South Korea coordination. But differences in the respective communiqués foreshadowed gaps over respective approaches to China and North Korea that threatened to hamstring the strategy. These differences illustrated the difficulties the Moon administration faced in adjusting to a broadened sphere of competition between the United States and China and the Biden administration's use of alliance solidarity as a basis for pursuing that competition.

The U.S.-Japan joint press statement directly called out China's behavior and stated that the ministers "committed to coercion and destabilizing behavior toward others in the region, which undermines the rules-based international system," while calling for the "complete denuclearization of North Korea" while the U.S.-ROK joint statement omitted direct mention of China and stated that "North Korean nuclear and ballistic missile issues are a priority for the alliance."⁴⁰ Chinese analysts noted the omission of China from the joint statement and credited it to "Seoul's rationality in dealing with Washington."⁴¹

It is likely that the People's Republic of China will redouble its efforts in this context to bring pressure to bear on South Korea to bound its trilateral alignments with Japan and the United States. Beijing already has put down a marker by eliciting assurances from the Moon administration in October of 2017 that it would abide by the three noes: no trilateral U.S.-Japan-South Korea alliance, no cooperation with regional missile defense, and no additional deployments of the Terminal High Altitude Air Defense (THAAD) system in South Korean territory. The Moon administration argued that the three noes were an expression of immediate realities; Beijing attempted to portray them as binding and enduring South Korean commitments, generating additional mistrust between Seoul and Beijing.

Either the Biden administration efforts to enhance extended deterrence to address progress in North Korean missile development made during the Trump administration, or broader efforts to extend the scope of South Korean maritime cooperation southward in the context of alignment of the South Korean New Southern and U.S. Indo-Pacific policies, could rekindle China's sensitivities and its economic retaliation campaign toward South Korea. These are developments designed to test the strength of the U.S.-ROK alliance as a potential weak link; in the course of doing so, all three countries will need to be mindful of Chinese pressure and will need to devise more effective strategies designed to neutralize the threat of Chinese economic retaliation as a meaningful cost South Korea must bear in the context of pressures deriving from rising Sino-U.S. rivalry.

Conclusion: Prospects for Post-Pandemic Japan-South Korea Relations

As the global pandemic eases, there will be space for concerned governments to renew their efforts to bring Japan-South Korea relations out of the stasis that has been reinforced by the overwhelming press of pandemic-focused concerns. Though the principal identity-focused conflicts over history and politics that caused the downturn in Japan-South Korea relations in 2018 remain to be tackled, the easing of the pandemic will remove some obstacles that have contributed to the current stalemate. In addition, Biden's leadership of trilateral U.S.-Japan-South Korea coordination in Northeast Asia has already provided a basis for renewed relations.

The Moon administration has sent high-level envoys including National Intelligence Service Director Park Chi-won to Tokyo for consultations. Both countries have appointed new ambassadors, and Moon has made public overtures calling for improved Japan-South Korea relations. But whether the two administrations can successfully grapple with the sensitive history-related issues or take steps to reverse the deterioration of the relationship is unclear.

Suga has largely continued the domestic and foreign policies set by the Abe administration. In response to South Korean efforts to host a "Plus Three" meeting with Chinese and Japanese leaders in Seoul by the end of 2020, the Suga administration sought reassurances that the Moon administration would not take further actions to enforce existing Supreme Court rulings on forced labor and "comfort women" as a political condition for visiting Seoul, but the two sides were unable to work out an understanding. Subsequently, the

South Korean Supreme Court issued a January 8, 2021, ruling and awarded damages to “comfort women,” justifying Suga’s caution in deflecting Moon’s invitation and creating problems for Moon just as he had changed his tone on relations with Japan. The Japanese government will likely wait for the Moon administration to freeze the enforcement of the Supreme Court verdicts or identify means other than seizing Japanese corporate assets in South Korea as a mechanism for providing compensation to victims. The Japanese government will also continue to watch for signals that the Moon administration does not intend to challenge the legitimacy of the 1965 Normalization Treaty and Claims Agreement.

With a post-pandemic recovery underway and the Biden administration providing a more supportive framing context for improvement of Japan-South Korea relations, there may be greater opportunities to work out understandings that can lead to a recovery of relations. Post-pandemic recovery efforts might provide both sides with an excuse to remove impediments to more active economic and trade relations in an effort to jumpstart both economies. One area of hope might be the negotiation of a post-pandemic economic recovery package built around either bilateral trade or the prospect of bringing South Korea into the Comprehensive and Progressive Trade Promotion Partnership (CPTPP). Both sides should work together to build more robust regional and global response capabilities in the area of public health based on the COVID-19 experience. But it is more likely that the pandemic will continue to interfere with such efforts despite Biden administration efforts to support an improvement of the relationship. Moreover, prospects for a dramatic recovery of the relationship are limited under the current leadership of Moon or Suga, both of whom do not appear predisposed to shape or challenge public sentiments critical of the other side. Both may ultimately be tempted to rely on post-pandemic recovery as a convenient near-term excuse for not doing more, rather than as a transformational opportunity to reframe Japanese and South Korean relations around initiatives for joint cooperation.

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Shared History, Divided
Consciousness: The Origins of
the Sino-ROK Cultural Clash
amid the Pandemic

Dong Xiangrong

Since 1992, bilateral relations between China and South Korea have sustained a state of positive development, although there have naturally been some moments of friction and contradictions. Amid the COVID-19 pandemic in 2020, a number of disputes arose between netizens in China and South Korea over such things as the origin of pickled vegetables (paocai in Chinese, kimchi in Korean) and the Van Fleet award acceptance speech of South Korea's BTS singing group. Different interpretations of a few thousand years of bilateral interactions—cultural, political, military, historical, and other topics mutually entangling the two—have led to some sharply vitriolic disputes between netizens in the two neighboring countries. Today's tensions over national identity issues are rooted in how history is understood in the two countries and the enduring salience of cultural symbols of identity tied to history.

Nobody could have anticipated that pickled vegetables would, ultimately, become a focus of the 2020 dispute between netizens of China and South Korea. Since over a decade ago when the Gangneung Danoje (端午祭) was granted UNESCO recognition and other developments occurred, all the way up to today's pickles, it seems that almost all ongoing Sino-South Korean identity disputes are connected to the entangled histories of the two sides. Seen from the history of cultural exchanges from long ago, is traditional medicine, after all, your Chinese medicine or my Korean medicine? Is traditional dress our Han Chinese clothing or your Korean clothing? Is the May 5 festival our Duanwujie (端午節, Dragon Boat Festival) or your Danoje? Are vegetables marinated by pickling, our "paocai" or your "kimchi"? A thousand-year cultural legacy should be a factor to strengthen shared identity and tighten cultural connections in Sino-South Korea relations. However, against the current geopolitical and geo-economical background, shared cultural connections unexpectedly became the focus of contention between the two neighbors.

Geopolitically, China and South Korea have been involved in different political camps since World War II. During the decades of Cold War, these two countries unfortunately fell into hot war although they were not each other's main enemy. Each country describes the war and justifies its actions through its own lens. Was the war, after all, our "War to Resist U.S. Aggression and Aid Korea" or your "Korean War"? Different memories of the war led to widespread, fervent protest from Chinese fans against South Korea's popular singing group BTS's acceptance speech in receiving the Van Fleet Award by the Korea Society. Sensitivity toward remarks about the war some 70 years ago has unexpectedly heightened recently.

Geo-economically, China and South Korea have been interdependent over the past three decades. China has been the biggest trade partner of South Korea for many years. The Chinese market is bigger than the U.S. and Japanese ones combined for Korean products. The market matters. The Samsung Group and Hyundai Group have had to react to the voices of customers and stop showing an advertisement performed by BTS. Also, when Seoul and Washington decided to deploy THAAD in South Korea, Seoul had to face the negative economic consequences of its deteriorating bilateral relationship with China. Both geopolitical differences and historical memories are now capable of arousing economic retaliation.

This chapter analyzes from the angle of how history and the present are linked the current identity conflicts between China and South Korea. It recognizes that using today's concepts to evaluate history leads clearly to tearing asunder Sino-South Korean mutual historical recognition. At the same time, the influence of values, geopolitics, differences in level of development, and other factors, along with cultural clashes between China and South Korea intersecting with political and security topics mutually arouse and even worsen relations between the two peoples. Security confrontations and ideological divergence have severely worsened public relations between the Chinese and South Koreans. These disputes, such as the Korean War and THAAD, have become important backdrops for the emergence and exacerbation of cultural rifts.

Cultural Heritage: Yours or Mine?

Pickled vegetables are just one of many traditional foods in China. As early as 3,000 years ago, in *The Book of Songs* (詩經 小雅 信南山), there is a poem that reads: "There are residential houses in the middle of the field, with fruits and vegetables on the ridge. Peel, cut and pickle into pickles to present to our great ancestors. It is by the blessing of Heaven that their descendants live long and well." A work from the Northern Wei Dynasty, more than 1,000 years ago, describes in detail the various methods ancient Chinese people used to make pickles with raw materials, such as cabbage, in the hope of extending the preservation period of the vegetable. According to materials online, pickles were introduced to the Korean Peninsula during the Three Kingdoms Period.¹

Chili originated in South America and was introduced to Europe and even Asia after the great geographical discovery of the "New World." In China, red chili had been introduced to inland areas such as Sichuan and Hunan provinces through coastal areas, and was adapted to the unique cultural and climatic conditions in inland areas, making the food known for its spicy flavor. As a traditional producing area, Meishan City of Sichuan began to compile international standards for pickle specifications and test methods in 2017. In November 2020, the international standard ISO24220 was released. Meishan municipal government believes that the successful formulation and release of the standard is a direct reflection of China's pickle industry's substantive participation in international standardization work, and will play a huge role in promoting the development of China's pickle industry to a better and stronger direction.²

In today's South Korea, kimchi is a must-have side dish on every table. It has become something of a Korean food cultural icon. If you ask Chinese people to list the typical Korean diet, it would be kimchi, roast meat, bibimbap, cold noodles, and a few other dishes. So, it is not surprising that people around the world, including the Chinese, regard kimchi as a symbol of the Korean diet. However, it does not mean the Chinese believe kimchi originated in Korea, or that they do not include it in China's diverse and traditional diet. The reaction of the South Korean government toward the China-initiated international standard for pickled vegetables was to claim that the standard system does not apply to Korea's kimchi.

On December 30, 2017, Chinese web celebrity Li Ziqi, who has more than 10 million followers, posted a video of herself making kimchi entitled “Sour and sweet, a delicacy to warm your wintry days—spicy Chinese cabbage” on YouTube. The video description read, “Mist after the frost swallows the landscape, and refuses to disperse all day long! The Chinese cabbage that withstands the ice and frost is exceptionally fresh and sweet. The same as usual, I shred some to make spicy Chinese cabbage. It’s a traditional dish for Yanbian Chinese of Korean Nationality, but the recipe varies from family to family.” South Korean netizens immediately kicked up a storm, accusing China of stealing South Korea’s cultural heritage, making comments of an extremely vulgar nature. They left comments below the video and argued that “Kimchi is Korean, COVID-19 is Chinese.” Some even asked: “Do you have a kimchi refrigerator? You don’t even have a kimchi fridge and how can you say kimchi is from China?!”³ These netizens are extremely condescending and illogical.

On the disputes between some Chinese and South Korean netizens and public figures over “ownership” of kimchi, China’s Ministry of Foreign Affairs has issued a formal response: “I am not an expert in food,” the spokesperson Hua Chunying said in response to a request at a regular press briefing on January 20, 2021. Hua said,

In my opinion, kimchi, as a kind of pickled and fermented food, does not exist only in a few countries or regions. There are ‘paocai’ in China, and ‘kimchi’ in Korea and the Korean ethnic group in China. There are similarities between them, but they have their own differences in materials, flavors and preparation methods. There should still be beneficial and friendly exchanges on academic issues related to kimchi from the perspective of food. But prejudice should not be brought in to avoid antagonism.”⁴

In recent years, beside pickles, Chinese and South Korean netizens have had heated debates about traditional festivals, medicines, clothing, etc. The two countries have a long history of communication, and almost all identity conflicts between China and South Korea originate from 3,000 years of entangled history, beginning with Jizi Gojoseon in the late Zhou Dynasty. Chinese culture spread to the Korean Peninsula, the Japanese archipelago, Southeast Asia, and beyond, and had a profound political, economic, social, and cultural impact on the surrounding areas, especially for the Korean Peninsula. From Chinese characters to printing, from Confucianism to family values, the cultural influence was so extensive and profound that Koreans consider it part of their own culture.

While absorbing Chinese culture, South Korea also carried out localization of culture and formed its own culture. After the dynasty changed from Ming, the Koreans believed that the Qing Dynasty was inferior to Korea in civilization and was a “barbarian nation,” even that “after the Ming Dynasty, there was no China” and regarded itself as “Little China.” In our survey ten years ago, on the influence of Chinese traditional culture, most of the South Korean respondents thought that Chinese culture had a huge impact on Korea in history (77.2 percent), at the same time, 63.5 percent of respondents said that it was South Korea rather than China that preserved Confucian culture better. Only 34.6 percent of the South Korean respondents believed that the Mid-Autumn Festival and the Spring Festival originated in China, while 47.8 percent of respondents denied this.⁵ There should be no surprise for those aware of South Korean perceptions of bilateral cultural relations when disputes over traditional festivals, traditional food, traditional medicine, traditional clothing, and other issues arise between China and South Korea.

Chinese consider the kind of center-periphery structure that prevailed under the premodern state system to have not been derogatory; even South Korea had a certain sense of superiority by being in the “semi-periphery” between China, the Korean Peninsula, and the Japanese archipelago. Korean explanations for the origins of the country have evolved. Sun Weiguo pointed out that since the Joseon Dynasty, the Korean Peninsula has changed from a strong advocate of Jizi Gojoseon worship to solely Dangun Gojoseon, and shifting identity is the key to this change. As a vassal state of the Ming Dynasty, the Jizi Gojoseon was in the Chinese world system. Jizi, as a civilizing prince from the Zhou Dynasty, promoted Joseon to the status of “Little China” and was the key figure to realize the “transition from non-Han tribes in the east to part of Chinese culturally (由夷入華)” in Joseon, and was highly respected. Meanwhile, Dangun was in an inferior position. In modern times, with the forced opening by Western forces and annexation by Japanese colonial forces, the Chinese world system disintegrated. Jizi was abandoned, and Dangun’s status as the nation’s ancestor was established and strengthened, becoming the focus for strengthening the national cohesion of Korea. Therefore, the needs of national identity drove the evolution of the interpretation of Korea’s history.⁶

In modern times, South Koreans have embraced the concepts of independence and equality, denied the legitimacy of Jizi Gojoseon, legitimized the legend, myth, and orthodoxy of Dangun’s founding, and attacked the unequal state relations under the ancient tributary system. Not only on the origin of the country, but also on the achievements of cultural exchanges between China and South Korea, such as clothing, medical skills, diet culture and so on, these two countries have different interpretations.

As the British historian Edward Carr argues, history is a continuous process of interaction between the historian and his facts, a never-ending question-and-answer conversation between the present and the past.⁷ People with today’s concept of country, territory, sovereignty, intellectual property rights, and so on, try to explain history. Unfortunately, people tend to interpret history in a way that benefits their self-esteem and self-confidence, and some scholars are willing to cater to this nationalistic demand.

Fan Culture under the Impact of War Memory: Your “Korean War” or my “War to Resist U.S. Aggression and Aid Korea?”

In October 2020, on receiving the Van Fleet Award, BTS said: “this year’s award is very significant because it marks the 70th anniversary of the outbreak of the Korean War. We will always remember the history of suffering shared by our two countries, and the sacrifice of countless men and women. 70 years later... BTS will always remind itself of the significance of the Van Fleet Award.” Given South Korean education in Korean history, this understanding of the Korean War is not surprising. However, from Chinese netizens’ perspective, it is not an “entertainment award,” but a “political one,” mixing entertainment with politics. The award commemorates the American general Van Fleet, the commander of the famous battle “Shangganling” (Sanggamryong in Korean), in which the heavy artillery fire of the U.S. and South Korean troops caused huge casualties to the Chinese volunteer troops. The movie “Battle of Shangganling” is widely known in China, and the episode “My Motherland” has been sung by generations in China. BTS’s speech made its Chinese

fans aware of the antagonism between China and South Korea during the war and their different interpretations of that painful period of history. Those fans decided that they could either continue to follow their idols or stay true to their country's history and find fault with another country's idols. Considering the possible negative effect on its products, Samsung has removed BTS smartphones and headsets from its official store on e-commerce platform JD.com, Alibaba's Tmall, and its own website in light of the controversy that BTS testimonies caused among Chinese netizens. Korean car maker Hyundai's Chinese social media accounts have also been cleared of BTS related contents, according to search results. In this way, clashing views of history have led to economic retribution against the other side.

This chapter borrows the concept of "superficial friends" to analyze Sino-Korean relations, from Yan Xuetong, who argues that the structural contradiction between the rise of China and the unipolar hegemony of the United States determines that in the process of catching up with the United States, strategic competition between them is inevitable, and it is difficult for the two countries to establish a real strategic friendly relationship. Good will to improve the strategic relationship becomes the basis of the superficial friend strategy. The two sides have repeatedly temporarily alleviated conflicts of interest by using false sweet words to describe the bilateral relationship, but this "superficial friend" strategy has also led to frequent ups and downs in relations because the two countries lack an objective basis for common interests.⁸ Without a shared identity and broad common interests, not just agreement on geopolitics, China and South Korea face a similar barrier to becoming more than "superficial friends."

What is the relationship between China and South Korea? They fought each other on the battlefield from 1950 to 1953 and endured decades of Cold War confrontation, during which relations were clearly hostile. It was not until 1992 that they established diplomatic relations. Subjectively, they bid farewell to the status of "true enemies" and tried to develop friendly relations. According to the 1992 Joint Communiqué on the Establishment of Diplomatic Relations, the two governments agreed to develop lasting good-neighborly and cooperative relations on the basis of the principles of mutual respect for sovereignty and territorial integrity, non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence in accordance with the principles of the Charter of the United Nations. In a diplomatic communiqué, the two reached consensus on language to manage the issues of greatest concern (China's attention to the One China principle, Korea's concern for the unification of the Korean Peninsula). The South Korean government recognizes the government of the People's Republic of China as the sole legal government of China, and respects the Chinese position that there is only one China and Taiwan is part of China. The Chinese government respects the desire of the Korean nation to realize the peaceful reunification of the Korean Peninsula at an early date and supports the realization of peaceful reunification by the Korean nation itself. The two governments believed that the establishment of diplomatic ties would contribute to the relaxation and stability of the situation on the Korean Peninsula as well as peace and stability in Asia.

The end of hostilities does not mean the establishment of true friendship, although both sides are trying to maintain the good momentum of bilateral relations. Only one month after the normalization of the bilateral relationship, South Korean President Roh Tae-woo visited China, the first visit by a Korean president since the foundation of the ROK. In 1998, President Kim Dae-jung visited China, during which the two sides announced the establishment of the Sino-ROK Cooperative Partnership Oriented toward the 21st Century. In 2003, President Roh Moo-hyun visited China and the two sides announced the establishment of the Sino-ROK Comprehensive Cooperative Partnership. In 2008, when President Lee Myung-bak visited China, the two sides announced the start of the Sino-ROK Strategic Cooperative Partnership. Judging from the words of the two sides, bilateral official relations reach a new level every five years or so. In addition to official political relations, bilateral economic, trade, and personnel exchanges have also grown rapidly. In July 2014, Chinese President Xi Jinping paid a visit to the ROK, during which the two sides announced that China and the ROK will strive to become partners for common development, regional peace, revitalization of Asia, and the prosperity of the world. In 2015, President Park Geun-hye went to Beijing to attend the parade commemorating the 70th anniversary of the victory of the War of Resistance against Japanese Aggression. Park and Vladimir Putin accompanied Xi Jinping at Tiananmen, indicating that the official relations between the two countries were at the highest level since the establishment of diplomatic ties. Arguably, such actions and official statements indicate that both sides are playing up the relationship between “partners” and “friends.” The problem is that if external threats arise, South Korea would find that China is not a true partner it can count on. China has also found that its own security concerns have not been considered enough and have even been seriously infringed by the joint actions of South Korea and the U.S. Geopolitical divides undermine claims of friendship and fuel national identity gaps when historical issues are brought to the surface.

The 2010 attack on the Cheonan and the shelling of Yeonpyeong Island led to a marked shift in Sino-South Korean relations. South Korea’s level of dissatisfaction toward China was very high. However, the Chinese side did not understand such strong sentiment. South Koreans believe that, as a “strategic partner,” China should stand by its side in condemning North Korea’s military provocations, rather than “shielding” the North. China perceived that the North did not admit that the Cheonan incident was planned by the North, and the shelling incident of Yeonpyeong Island was closely related to South Korea’s military exercises in the disputed waters despite the North’s warnings. South Korea’s view of China began to deteriorate after 2010. From South Korea’s point of view, no matter how high the trade volume between China and South Korea, no matter how “strategic” the bilateral relationship, it cannot match the traditional “blood alliance” relationship between China and North Korea. Some American and Korean scholars concluded that these two events led to a cognitive gap between China and South Korea.⁹

One of the worst drawbacks of a “superficial friend” relationship is having unrealistic expectations of the counterpart, and when those expectations fail, it can lead to disappointment, dissatisfaction, and even anger. This is especially seen in 2016. On January 6, the DPRK conducted its fourth nuclear test. In February, the ROK announced that it was discussing the deployment of THAAD with the U.S. In July, the U.S. and the ROK announced the deployment of the THAAD missile defense system in the ROK. “[We are] discussing various cooperation plans with China, including the phone call with President Xi,” Jeong Yeon-guk, spokesman for the Blue House, was quoted by South Korean media as saying in an interview. The ROK expects that leaders of the ROK and China will soon have a phone call to coordinate their response to the DPRK nuclear issue and discuss joint pressure on the DPRK after its nuclear test. The report singled out Park Geun-hye’s “Tiananmen Diplomacy” in September 2015 as having cemented ties.¹⁰ The truth is that the Chinese and South Korean leaders did not speak on the phone until February 5th. After North Korea’s nuclear test, “Park expects President Xi to show a positive attitude on the issue of sanctions against the North,” a senior official in South Korea’s ruling circle said, according to *Chosun Ilbo*. “However, she couldn’t even get through by phone. She was very disappointed.” It is reported that in this process, Park showed a sense of frustration bordering on “anger.” Immediately after the missile launches, she decided to begin negotiations on the deployment of THAAD, which China strongly opposes. Diplomatic circles have said that behind the decision lies Park’s “anger” at China.” She said, ‘How could China act like this while I attended China’s ceremony despite domestic and foreign opposition?’¹¹ Lee Dong-ryul said that in the 25 years since the establishment of diplomatic relations between the two countries, South Korea has been trying to cooperate with China to solve the North Korean nuclear issue in the context of China’s expectation of its role, but in the end, the goal was not denuclearization, but the escalation of North Korea’s nuclear weapons development. The cooperation between South Korea and China on the Korean nuclear issue has not worked, and the expectation of “China’s role” has not been realized.¹² This ignores that China has condemned the North’s nuclear test and supported the adoption of sanctions against the North at the United Nations Security Council. South Korea still believes that China’s actions fall far short of South Korea’s expectations.

Speaking to reporters after South Korea announced the THAAD deployment, Chinese Foreign Minister Wang Yi said, “The deployment of the THAAD system goes far beyond the defense needs of the peninsula. We have every reason and right to question the real design behind this move. We urge the US side not to base its own security on the insecurity of other countries, still less to undermine the legitimate security interests of other countries under the pretext of so-called security threats. We also hope that South Korean friends calmly ponder whether the deployment of the THAAD system is truly conducive to the security of the ROK, peace and stability on the Korean Peninsula and the solution of the nuclear issue on the Peninsula. The relevant parties must be careful to avoid making a big mistake.”¹³ At this point, China still expected its “South Korean friends” to consider China’s strategic security concerns and not deploy THAAD. Such expectations were soon dashed. Acting President Hwang Kyo-ahn accelerated the deployment of the THAAD system as Park Geun-hye faced impeachment over allegations of political interference by a close friend.

The U.S.-ROK THAAD project has seriously damaged China's strategic security interests and greatly damaged China-ROK relations, raising tensions between China and the U.S. It also shows that South Korea has ignored China's security concerns and sided with the U.S. in the China-U.S. standoff. South Korea sees itself as defending against threats from the North and is reluctant to admit the damage THAAD has done to China's strategic security interests. It sees China's countermeasures against South Korea as damaging its relationship with China. Relations deteriorated sharply since THAAD. After taking office, President Moon Jae-in made many diplomatic efforts to mend bilateral ties by reaching consensus on THAAD with China. During his visit to China in December 2017, the two sides had an in-depth exchange of views and reached consensus on promoting the improvement of China-ROK relations and strengthening communication and cooperation on the Korean Peninsula and other international and regional issues.¹⁴ However, "China-South Korea relations have yet to emerge from the shadow of THAAD."

According to a poll of 14 developed countries released by the U.S. Pew Research Center on October 6, 2020, the percentage of South Korean people holding negative attitudes towards China has continued to expand since 2002, rising from 31 percent to 75 percent in 2020.¹⁵

According to the Gallup survey in South Korea, September 8, 2013, 50 percent of the South Korean respondents had a favorable view of Xi Jinping, a figure that rose to 59 percent after his visit to Korea in July 2014. However, along with the deterioration of bilateral relations due to deployment of THAAD, the favorability rate toward China's top leader dropped to 25 percent in May 2017. China's constitutional amendment was also a negative event for South Koreans. In a March 2018 survey, the figure had dropped to a low of 19 percent—the lowest in the six surveys—with 66 percent saying they "dislike" him.¹⁶ According to Gallup Korea's 2019 favorable ratings, 29 percent of respondents from 50 countries have a favorable view of Xi Jinping, while 41 percent have a negative view. In South Korea, only 15 percent said they liked him, and a whopping 82 percent said they did not.¹⁷

The impact of the BTS speech on China-South Korea relations is minor if we compare it to that of THAAD in 2016, which became important background for the occurrence of cultural clashes. The BTS case is a symbolic event that highlights the fragility of bilateral public relations under the smokescreen of "superficial friends." The year 2020 marks the 70th anniversary of the Korean War. China has held a grand ceremony to commemorate the volunteer soldiers who died in the war. The BTS speech is not strange when seen from the point of view of South Koreans, but for some Chinese netizens, it is very difficult to accept. When talking about "sacrifice," BTS think of the civilian South Koreans and soldiers of the ROK and U.S. While for the Chinese netizens, they think of thousands of volunteer Chinese soldiers sacrificed in the war. Different war memories remind Chinese netizens that South Korea's security interests are closely tied with the U.S, the most important strategic rival of China. When it comes to the essence of the relationship, it becomes clear that South Korea is an imaginary friend.

According to our survey in 2009, 81.5 percent of South Korean respondents did not believe that China supported Korean reunification, and 73.1 percent believed that China posed a military threat to South Korea. When asked how South Korea would respond if a military conflict broke out between China and the United States, 65.7 percent of respondents chose to be neutral, while 30.1 percent chose to support the United States, far outpacing the 2.5 percent who chose to support China. Respondents from South Korea believe that the most important factors hindering friendly relations between China and South Korea are: the China-DPRK alliance (27.9 percent), differences in views on historical issues (25.9 percent), differences in social systems between China and South Korea (17.4 percent), the ROK-U.S. alliance (10.7 percent), and economic frictions between China and South Korea (10.7 percent).¹⁸ More than twice as many respondents believe that the China-DPRK alliance hinders the relationship between China and the ROK as the ROK-U.S. alliance. Political and social systems, historical issues, and security alliance rank at the top, factors which can hardly be changed in a short time. This indicates that the development of bilateral relations needs to overcome great obstacles.

China and South Korea had something of a “true friendship” during the Roh Moo-hyun administration. At that time, the South Korean government pursued a relatively independent foreign policy, tried to reduce the influence of the United States, and valued the importance of cooperation with China, which did not mean that the South Korean government was pro-China, but objectively created the “illusion” of a consensus despite their different interests. China and South Korea, both vehemently opposed to American military action against North Korea, had a tacit cooperation. With the United States embroiled in Iraq, South Korea felt less pressure to go to war and was less eager to cooperate with China, ignoring offers to resume the Six-Party Talks in 2008. Given the pro-American and pro-Japanese Lee Myung-bak administration in 2008, the short “true friendship” between China and South Korea came to an end.

Since the establishment of diplomatic ties more than 20 years ago, China and the ROK have had very close cultural exchanges. The “Han style” in the ROK and the “Korean wave” in China complement each other, which is the mainstream of the cultural exchanges between the two countries. Many K-pop stars have a strong fan base and influence in China. If K-pop stars care about these fans and potential consumers, they have to consider the “audience cost” of their speech. Judging from the statements made by the Chinese and South Korean governments, the two sides still hope to maintain overall bilateral relations and do not want to let such incidents harm them. On October 12, 2020, Chinese Foreign Ministry Spokesperson Zhao Lijian said in response to a question from Yonhap News Agency: “I have noted relevant reports and Chinese netizens’ reaction to this incident. What I want to say is that taking history as a mirror, looking into the future, cherishing peace, and promoting friendship should be our common pursuit and deserve our joint efforts.”¹⁹ On October 13, 2020, the ROK Foreign Ministry deputy spokesperson said at a regular press conference: “In order not to affect the mutual understanding and bond between the people of the two countries, the government is paying close attention to the relevant situation. In the future, the ROK will continue to make efforts to develop bilateral relations and promote bilateral friendship.”²⁰

In its history, China had experienced a similar situation to South Korea's gratitude to the United States due to the joint military efforts of the Ming Dynasty and Joseon Dynasty against Japan's invasion from 1592 to 1598. The military intervention then was essentially assistance to protect Korea and a defensive measure to safeguard the security of itself under the threat of Japan. As a Korean pointed out,

From the perspective of the China-centered East Asia pattern at that time, Korea is China's neighbor, while Japan faces China across the sea and is located at the eastern end of East Asia, that is, the outer profile. The basic cultural attitude of the foreign country (Japan) towards the central country (China) is identity and compatibility, but Japan is not willing to continue this China-centered East Asian pattern for a long time ... Toyotomi Hideyoshi dreams of ruling China, so as to break the China-centered East Asian order and establish a new Japan-centered East Asian pattern—to promote the so-called 'Japanese-style tributary consciousness.'²¹

The war, which lasted intermittently from 1592 to the end of 1598, ended with the death of Hideyoshi and victory of Ming China and Joseon and the defeat of Japan. Emperor Wanli rewarded the armies for "the triumph of the East and the great achievement of the world." This consolidated the vassal relationship between Joseon and Ming, which had no territorial ambitions toward Korea. After the war, the Ming Dynasty ordered the manager to supervise the country's princes and ministers in Korea, and take advantage of this wintertime to train for defense, supervising its combat skills, making clear his army made the country capable of self-defense. Hong Daeyong (洪大容), the Joseon envoy during the reign of Emperor Qianlong of the Qing Dynasty, said in his Yanxing Record (燕行錄): "During the Wanli Period, Japanese thieves entered the East, and the eight provinces of Joseon were invaded. The emperor of the Ming Dynasty sent soldiers and spent money helping the Joseon. Seven years later, it was finished. By now, 200 years later, the happiness and benefit of the people were all due to Emperor Wanli. It might be due to the big burden of the war, Ming Dynasty came to an end, so our Joseon keeps mourning for today." China's assistance to Korea's security in history is not mentioned much nowadays. In today's Korean national education, the "Japanese Invasion of Korea in 1592 " is mainly used to depict the greatness of people's efforts, General Yi Sun-sin's brave actions, and the advancement of his inventive turtle boat. The role of the Ming Dynasty during the war is marginalized.

The Transformation of Sino-South Korean Economic Relations and the New Tensions in Bilateral Relations

In recent decades, South Koreans showed a strong sense of superiority because their economic development level was ahead of China. In our survey of 1,000 South Koreans a decade ago, 82.2 percent of respondents did not know or mention any Chinese brands, 11.5 percent knew about "Haier," and SAIC Motor gained 1.9 percent recognition because of its relationship with South Korea's Ssangyong Motor. 29.2 percent of the respondents thought the quality of Chinese goods was average, 49.1 percent that the quality of Chinese goods was low, and 18.8 percent that it was very low. 86.8 percent of respondents in South Korea believed that the technical level of Chinese goods was average, low, or very low.²²

When China's economy was behind Korea, many South Koreans had a low opinion of Chinese products, feeling a sense of superiority, and even formed the stereotype that Chinese products were "fake and shoddy." During the pandemic in early 2020, China's Weihai City donated a large number of face masks to the South Korean city of Incheon. South Korean media even spread rumors that these face masks were "fake and inferior" products, which triggered strong dissatisfaction from China. On March 5, *MoneyToday* in a report entitled "We donate KF94 to China, but China donated to us...?" questioned whether the masks donated were substandard and had no effect on pandemic prevention. As soon as this report came out, it led to heated discussion among South Korean netizens and was once ranked third on the list of social news posts in South Korea. "Thank you for making South Korea the world's best country to bully, so proud," garnered nearly 14,000 thumbs up. On the same day, the Incheon Municipal Government issued an urgent announcement to clarify that the masks donated by Weihai City are qualified, "The medical disposable masks provided by Weihai City have been tested by the Incheon Health and Environmental Research Institute and found to be qualified." South Korea's KBS devoted a special report to dispel the rumor. *MoneyToday* finally issued a public apology for the incident on March 7, saying, "The news about Chinese masks reported by our news agency is untrue and has been deleted. We apologize for any inconvenience caused to our readers and the city of Incheon due to our inaccurate report."²³ However, this dispute intentionally motivated by some South Koreans had a negative impact on the bilateral relationship, and it seems to be irreversible. The rumor has cast a shadow over China-South Korea cooperation in fighting the pandemic.

As China's economic level has caught up with South Korea, South Koreans have felt huge competitive pressure, which generated a sense of crisis and unfriendly feelings towards China. With the rise of China's economy, the economic relationship is shifting from one based on complementarity to one based on competition, which will bring new tensions to the relationship.

On January 21, 2021, the author forwarded a piece of news from South Korea's *Asia Economic Report* on her social media account "Dong Xiangrong Asia Pacific Observation": the sales volume of Hyundai Kia in China last year was 660,000 units, a sharp decline of 26.9 percent over the same period last year, indicating a negative growth for two consecutive years. This is a 62.9 percent drop over four years from the record 1.79 million units sold in 2016, and the market share has shrunk to 3.4 percent from 10 percent in 2010. Since entering the Chinese market in 2002, Hyundai Kia's sales had increased year by year. In 2008, Toyota recalled a large number of products in China due to the "Pedal Gate," and Hyundai Motor seized the market. Its sales volume soared to 1.03 million units in 2010 and continued until 2016. Since then, there has been a significant decline. I asked readers, "Why?" The message was read by 78,000 people and got 1,410 comments. The most popular comment to receive a thumb up was very short: "THAAD," with 389 thumbs up. The second most thumbs up was: "It's better to buy domestic products than Korean products," with 222. Third was: "I really don't understand the people who buy Korean cars, The Korean auto industry is not ahead of China, it is better to buy domestic cars," with 134. Another comment said:

“It’s actually quite easy to explain. Hyundai Kia is well known for its price performance on the international market. Because most countries have no auto industry at all, South Korean cars are cheap and good quality, and they occupy the market as cheap as they do in developed countries. But the Chinese mainland has its own brand, which is more cost-effective than any other country in the world, cheaper, and better than modern Kia. So, Hyundai Kia has suffered in China. The brands in developed countries, which tend to be much more expensive than Hyundai, are not the same as those in China.”

It had 42 thumbs up.²⁴

The rapid growth of Hyundai Motors in the Chinese market from 2008 to 2016 was not so much due to “Pedal Gate,” as described in the Asian Economic Report, but the more important reason may be that Japanese cars in the Chinese market went through a period of decline due to consumer boycotts caused by the Diaoyu Islands dispute, and South Korean cars filled the market. The report’s emphasis on “Pedal Gate” may be because it does not want readers to make a connection with THAAD. After the THAAD deployment in 2016, Chinese-made cars and some Japanese cars replaced South Korean cars. Whether South Korean cars can recover depends on their cost performance and the trend of China-South Korea relations and China-Japan relations. Japanese cars in China have experienced decline and recovery since the Diaoyu Islands issue. Will Korean cars experience the same wave? Instead of efforts to improve the quality of products, South Korea is still simply blaming China’s countermeasures on THAAD. Friction is likely to increase in the future as competition between China and South Korea intensifies in key industries.

The COVID-19 Pandemic and Sino-South Korea Identity Clash²⁵

China and South Korea have each done a relatively good job in COVID-19 prevention and control. Active cooperation between the two governments in communications and medical materials improved bilateral relations. On January 3, 2020, the Chinese Center for Disease Control and Prevention (CCDC) sent clear information to its South Korean counterpart, the Korea Centers for Disease Control and Prevention (KCDC), that pneumonia of an unknown etiology had happened in Wuhan. Accordingly, KCDC took immediate action equivalent to setting a blue level alert for controlling a new infectious disease without any wasting of time. Before the first case was found in South Korea, the KCDC acted professionally while some other countries were politicizing the pandemic. The South Korean government did not ban Chinese visitors, despite attacks by the conservative political parties and some netizens. According to data from the KDCA, as of April 8, 2021, South Korea had a total of 7,762 imported cases from overseas, including 44 cases from China (0.6 percent) of the total versus from Asia outside of China, 44.9 percent; 2467 cases from the Americas 31.8 percent, and from Europe, 17.4 percent. This shows that China has done a very good job in preventing the spread of the pandemic.

There is an obvious cognitive mismatch in public opinion. Chinese highly appraise South Korea’s prevention and control of the pandemic and are grateful for its assistance to China with materials after the outbreak, while South Korean sentiment toward China is complicated, and their assessment of China’s response to the pandemic is seen in China as unreasonably negative.

In some lists of pandemic prevention and control, China has performed relatively well. In the list of “The Best and Worst Places to Be as Global Vaccinations Take Off” among 53 economies published by Bloomberg on March 25, 2021, South Korea ranked 6th and China ranked 7th (Figure 1).²⁶

In the process of fighting the pandemic, China and the ROK took the lead in establishing a “fast passage” to facilitate businesspeople in urgent need of visiting the country, maintaining the stability of bilateral economic relations, and winning recognition of the effectiveness for the fight against the pandemic at the government level. However, according to an October 2020 Pew survey, 79 percent of respondents in South Korea gave China a negative rating, much higher than the average of the surveyed developed countries (61 percent) (Figure 2). In the same survey, only 14 percent of South Koreans rated their country’s resistance to the pandemic negatively. It is obvious that the unfavorable impression toward China leads to significant undervaluation of China’s anti-pandemic efforts.

Figure 1. The COVID Resilience Ranking: The Best and Worst Places to Be as Global Vaccinations Take Off

Covid Resilience Ranking

◀ Worse Better ▶

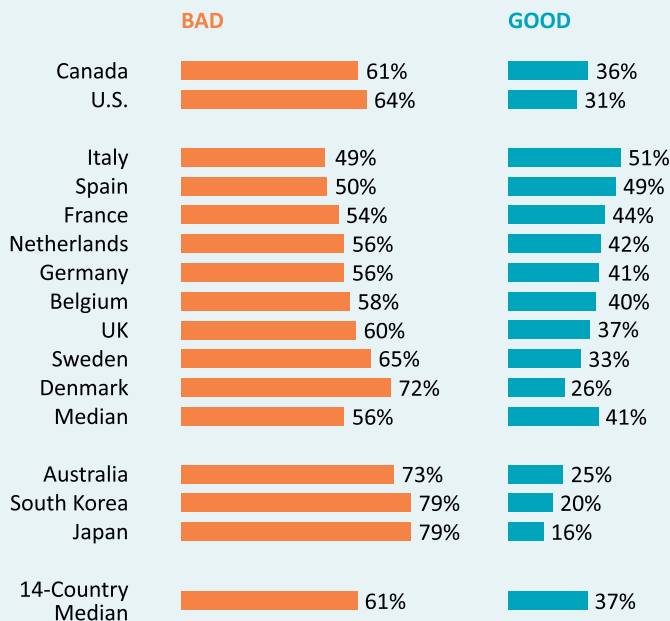
COVID STATUS

Rank	Change	Economy	Bloomberg Resilience Score	1- Month Cases per 100,000	1- Month Fatality Rate	Total Deaths Per 1 Million	Positive Test Rate	People Covered by Vaccines
1	-	New Zealand	78.0	2	0%	5	0.1%	0.3%
2	▲ 1	Singapore	76.6	6	0.3%	5	0%	9.4%
3	▼ 1	Australia	73.9	1	0%	36	0%	0.6%
4	▲ 3	Taiwan	73.5	0	1.6%	0	0.7%	0.1%
5	▲ 9	Israel	71.4	762	0.7%	707	2%	54.1%
6	▲ 2	South Korea	69.7	22	1.1%	33	1.3%	0.7%
7	▼ 1	China	68.4	0	0%	3	0.1%	2.7%
8	▲ 1	Japan	68.0	24	4%	70	2.5%	0.3%
9	▲ 1	Thailand	67.0	4	0.3%	1	0.7%	0.1%
10	▼ 5	Norway	66.6	362	0.1%	120	3.5%	7.2%
11	▲ 4	U.A.E.	66.4	665	0.4%	147	0.9%	34.8%
12	▲ 1	Hong Kong	66.2	7	1.2%	27	0.1%	2.6%
13	▼ 9	Finland	66.1	317	0.4%	146	4.6%	7.5%
14	▼ 3	Denmark	64.5	310	0.3%	415	0.5%	8.3%
15	▲ 3	Vietnam	64.2	0	0%	0	0.1%	0.1%
16	▼ 4	Canada	63.6	231	1%	602	3.5%	5.6%
17	-	Saudi Arabia	62.9	28	1.5%	190	0.8%	5.1%
18	▲ 5	Malaysia	61.1	135	0.4%	38	2.7%	0.7%
19	▲ 2	Switzerland	60.6	386	0.9%	1,184	5%	7.3%
20	▼ 4	India	60.3	48	0.6%	116	3.9%	1.8%
21	▲ 6	U.S.	59.9	463	2.5%	1,643	5.8%	19.7%
22	-	Russia	58.5	186	4.1%	646	3%	3.6%
23	▲ 11	Germany	56.2	338	2.1%	898	6.8%	6.7%

Source: Jinshan Hong, Rachel Chang, and Kevin Varley, “The COVID Resilience Ranking: The Best and Worst Places to Be as Global Vaccinations Take Off,” Bloomberg, March 25, 2021, <https://www.bloomberg.com/graphics/covid-resilience-ranking/>.

Figure 2. Mostly Negative Assessments of China's Coronavirus Response

% who say China has done a ___ job dealing with the coronavirus outbreak



Note: In Australia and Canada, the question was asked about "COVID-19." In Japan, it was asked about "novel coronavirus," and in South Korea, it was asked about "Corona19." Those who did not answer are not shown.

Source: Laura Silver, Kat Devlin, and Christine Huang, "Unfavorable Views of China Reach Historic Highs in Many Countries," Pew Research Center, Summer 2020 Global Attitudes Survey, Q10b, <https://www.pewresearch.org/global/2020/10/06/unfavorable-views-of-china-reach-historic-highs-in-many-countries/>

Conclusion

In the premodern period, China and South Korea had close contacts. At least within the historical background at that time, South Korea positively affirmed the influence of Chinese culture on the Korean Peninsula. Major changes have taken place in the international landscape in modern history. The Korean Peninsula broke away from the traditional tributary system and was subjected to Japanese influence and even colonial rule and then the capitalist camp led by the United States in the Cold War. China belonged to the socialist camp.

In 1992, two former rivals established formal diplomatic relations, and thousands of years of cultural links were renewed. Chinese and Korean cultures are inseparable because of their long history of communication. Economically, the relationship between China and South Korea is shifting from one dominated by complementarity to one of complementarity and competition. In terms of military security, due to the existence of the alliance between South Korea and the United States and the actual alliance between China and the DPRK, although China and South Korea have said goodbye to hostilities, there are still many differences. In terms of political relations, the two governments have made great efforts to maintain friendly relations, as "superficial friends," the advantage of which is that it can

promote the goodwill of both sides, subjectively emphasize the consistency of interests of both sides, and ignore or weaken the conflict of interests of both sides. The disadvantage is that it creates unrealistic expectations of the other side, and when those expectations are not met, it can lead to anger, which can cause huge fluctuations in the relationship. The way out is to expand common interests, give up unrealistic expectations of each other, face the nature and reality of bilateral relations, and promote the development of bilateral relations in a solid way.

At present, South Korea is highly vigilant against China. On the one hand, it wants to continue to share China's economic growth; on the other hand, it is deeply dependent on the alliance with the U.S. If China continues to approach or surpass the United States in power, South Korea's diplomacy will face a crossroads. Its playbook of choosing the strong side has played out repeatedly in the power shift in Northeast Asia. Only till then would the historical cultural legacy dramatically change to accentuating elements of common identity.

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THE PANDEMIC'S IMPACT ON SUPPLY CHAINS FROM CHINA AND REGIONALISM

Due to pandemic-caused disruptions and U.S. national security recalculations, supply chains have featured prominently in the news since early 2020. Officials and businesses in many parts of the Indo-Pacific region have weighed their options and awaited impactful U.S. policies on the existing international division of labor. Close allies and emerging security partners of the United States are all engaged in some degree of decoupling from China in sensitive technologies or in vital production in case of another health crisis. The following chapters cover first the U.S. moves under both Donald Trump and Joe Biden and then the supply adjustments and concerns of South Korea, Japan, Taiwan, and India. These are places to watch for signs of separation from China and for resistance to such decoupling in light of the existing heavy dependence on China.

Comparisons point to different degrees of reorienting supply chains. The pandemic is only one factor. Labor costs, protectionism, and the Sino-U.S. technological decoupling are others. Places already intent on boosting a special industry, such as semi-computer chips in Taiwan and the pharmaceutical industry in India, saw a need to lessen dependence on China or join multilateral groupings to reconstruct supply chains. There is a shared emphasis on more resilient supply chains, but there are also nuanced differences on the degree to which China will be bypassed.

Troy Stangarone, “The Future of U.S. Supply Chains: National Security and the Pandemic”

The COVID-19 pandemic has been the most significant economic disruption to the international economy since the Great Depression. In the United States after early shortages of critical medical supplies and products, there was increased focus on supply chains and their vulnerabilities. The pandemic is not the only disruption that supply chains have faced in recent years. Disruptions of more than 2 months now occur, on average, once every 4.9 years. What makes this disruption different is that it is occurring at a time of increasing geopolitical tensions and growing concern over U.S. supply chains’ dependence on China. Not only did the Trump administration focus on this, but the Biden administration also emphasized securing supply chains in light of the pandemic and bipartisan concern over China’s role in U.S. supply chains.

The Trump administration took specific steps to deal with supply chains related to technology and rare earth minerals. It sought to remove China’s access to critical U.S. components and placed more than 300 Chinese firms on the Entity List, the most noted of which was Huawei.¹ At the same time, it sought to discourage countries from deploying 5G equipment from China and worked to convince countries and companies to sign up for a common set of standards under its Clean Network initiative. Trump also signed Executive Order 13873 to increase restrictions on the export of U.S. technology.

Rather than view the performance of supply chains from the perspective of disruption, a distinction between the resilience and robustness of supply chains should be made, while also noting the ability to redirect products to new supply chains. While increased demand for consumer electronics and automobiles has resulted in a supply shortage for the automotive industry, the trade war with China has also played a role. When the Trump

administration blacklisted Huawei it began to stockpile semiconductors, taking up potential supply. The pandemic exposed a mismatch between how supply chains for the automotive industry and semiconductor industry work. The former has developed a “just-in-time” model to minimize inventories, but the latter requires a more managed relationship due to the time needed to scale up inventory risks for semiconductor producers or maintain excess inventory of their own.

Since taking office, the Biden administration has maintained a priority on restoring U.S. manufacturing and securing supply chains, not dissimilar from the Trump administration. Its Interim National Security Guidance commits to placing a priority on U.S. economic recovery from the pandemic including through investments in national competitiveness and securing critical supply chains. The administration has been slow to develop a trade policy, and there are indications that national security and domestic policy will play a larger role in the decision-making process. At the Department of Defense, Biden announced that the department will be taking the lead on a review of the key priorities for dealing with China, including technology. These reviews may result in a shift from “decoupling,” which is likely an unachievable policy, to a more nuanced “small yard, high fence” policy focused on a limited number of areas. While the reviews will include the departments of Defense, Commerce, Energy, Health and Human Services, Transportation, and Homeland Security, they do not appear to have a role for USTR, suggesting the focus on supply chains will be geared more towards building domestic capacity than ensuring that trade policy supports resilient supply chains. Supply chain issues are also part of the Quad’s Critical and Emerging Technology Working Group, including in semiconductors and rare earths.

Congress has also played an active role in addressing concerns over the security of critical U.S. supply chains. The exposure of U.S. supply chains to China initially brought the issue to the attention of Congress, but the functioning of supply chains during the pandemic also became an issue for it. In the 116th Congress, which ended in 2020, attention largely focused on supply chain issues related to semiconductors, rare earth minerals, and pharmaceutical and medical supplies. In the 117th Congress, the American Rescue Plan provides \$6 billion to support the supply chain related to COVID-19 vaccines and \$500 million for the FDA to conduct oversight of supply chains related to the pandemic. The legislation also provided \$10 billion to support the purchase and production of PPE and vaccines through the Defense Production Act of 1950. While the American Rescue Plan provides support to address immediate supply chain constraints, Congress has not yet taken up legislation to address longer-term medical supply chain issues. Some initial legislation looks at supply chains more broadly.

Economic interests have driven the development of supply chains, and adjusting them to place a greater emphasis on national security will be difficult. China’s infrastructure and specialized producers have made it central to modern production. The quick pace at which it was able to restore its economy during the pandemic and its status as the world’s second largest economy will further deepen the reluctance of firms to shift supply chains away from China, although, some will opt for the China-plus strategy to provide some robustness to their supply chains and ensure that they are able to serve both the U.S. and Chinese market. For firms that shift supply chains away from China, the pandemic has not been the primary motivation.

The impact of the pandemic on supply chains for medical equipment, the subsequent semiconductor shortage, and the grounding of a cargo container ship in the Suez Canal have all highlighted the risks of global supply chains, but concentration of supply chains in one location brings its own risk. The growing geopolitical contest with China is pushing the United States to reexamine the security of supply chains for critical components. In doing so, the Biden administration should consider stockpiling, additional funds for research and development, international trade, and technology to better secure U.S. supply chains. Despite concerns about the pandemic, it is national security and economic concerns rooted in China's rise that are driving U.S. views on supply chains and technology. The Trump administration may have initiated a more assertive stance towards China, but the Biden administration has so far shown few indications of adjusting many of the policies put in place. With policy being driven by concerns over U.S. supply chains in China, it needs to focus more on international cooperation.

Jin Kyo Suh, "The Pandemic's Impact on Supply Chains from China and their Evolution: The View from South Korea"

Supply chains across the world are finely tuned to deliver parts just when they are needed, so companies and industries do not need to waste money on maintaining big warehouses. However, they have started rethinking their supply chains in response to changing labor costs, advances in automation, rising protectionism, and external shocks, such as natural disasters. The COVID-19 pandemic, in particular, has revealed the structural fragility of current global supply chains and forced many global enterprises to fundamentally reconsider their approach to manufacturing and sourcing. The crisis also highlighted geopolitical tensions, trade restrictions, and nationalist politics aimed at promoting domestic industry. Supply chains are being reworked to reduce the risks of future disruption even if doing so means added costs. With China being by far the world's largest goods exporter and mired in a trade conflict with the United States, supply chains going through China may be among the most vulnerable to future disruption.

Recognizing the risk that dependency on China poses to national industries, some governments offered manufacturers incentives to exit China and ease the pain of diversification even if it is not so simple to reduce supply chain reliance on China, which still retains not only considerable comparative advantages, such as in electronics, machinery, and equipment manufacturing, but also enormous purchasing power as the second largest global market. As most companies examine their supply chains for a post-COVID-19 world, the imperative for greater supply chain resilience versus the attractiveness of China as a manufacturing location *and* tech-forward consumer market is the defining tension that they will need to navigate, argues Suh.

South Korea has successfully limited the damage to its economy from the crisis with swift and effective measures to contain the virus and protect households and business. Its economy returned to growth in the third quarter of 2020, recovering from its sharpest contraction in more than a decade, as the government pushed through stimulus measures and major trading partners eased coronavirus restrictions. Leading tech manufacturers,

including Samsung, LG, and SK, all benefited from robust demand, stemming from greater demand for connectivity during the pandemic, China's strong economic recovery, as well as a surge in demand from Huawei ahead of the latest U.S. sanctions. The main reason is the efficacious handling of the outbreak. The government never implemented a full lockdown in response to COVID-19, but instead decided to fight the virus aggressively through an epidemiological approach with wide diagnostic testing and isolation of contacts, while encouraging cooperation to adhere to social distancing based on trust in the authorities. Korea has won international praise for its swift deployment of mass testing and high-tech contact tracing and tough quarantine rules to combat the virus.

The issue of unsteady global supply chains needs to be resolved in order to not only weather the current pandemic, but also to prepare for potential disruptions of a similar scale in the future. Businesses have learned the hard way by heavily relying on China's economy through this pandemic. In response, the CEOs of many companies requested that their supply chain teams find other sources wholly independent of China. There was also increasing pressure from investors and government bodies who discouraged overreliance on any one source and called for decoupling from China, notably Trump's push to "decouple" the U.S. economy from China. However, China remains popular as a manufacturing location due to its huge and expanding domestic market, competent labor, entrenched supplier ecosystem, as well as the government's continued assistance towards manufacturers and the establishment of dependable infrastructure.

Untangling supply chains that have built up over a generation is a complex task. Companies can have hundreds of junior tier suppliers for a single product, and they often do not know who are their tier-2, tier-3, or tier-4 suppliers. Complex and vast networks can make it difficult to identify vulnerabilities and interdependencies. A large multinational organization can have hundreds of tier-1 suppliers from which it purchases components directly. In turn, each of those suppliers relies on hundreds of tier-2 suppliers. Supply chains are so interconnected that the economic case for making large-scale changes in their physical locations is very limited. The outcome is unlikely to be a clean break from China for most. Lower-value sectors or labor-intensive sectors, such as apparel, are most likely to expedite diversification. It will be the higher-value technology and consumer electronics sectors that will find it hardest to turn away from China's distinctive allure.

The COVID-19 pandemic proved that we needed more resilient supply chains. In particular, the global spread of the coronavirus has sparked a clarion call to diversify supply chains away from China. But its singularity as both a manufacturing location and a future huge consumer market makes it hard to find alternatives in the short run. Thus, it is highly likely that relocating factories or replacing all Chinese suppliers would be infeasible in the short term. In the long term, many companies may consider shifting manufacturing out of China or diversifying suppliers because of China's steadily rising labor and other costs as well as the greater uncertainty in a single source or the concentration of production centers. Countries would move towards a "China Plus One" strategy, which focuses on diversification by having a factory in China and another in a developing country in the Southeast Asia region. Deeper economic integration between China and ASEAN, and the effectuation of RCEP will also contribute to strengthening new regional supply chains centered on China, including Japan and South Korea, concludes Suh.

Mireya Solís, “The Big Squeeze: Japanese Supply Chains and Great Power Competition”

Japan led, and was transformed, by the global supply chain revolution. Facing growing protectionism in industrialized markets and reeling from sharp yen appreciation in the aftermath of the 1985 Plaza Accord, Japanese firms responded with a drastic increase in their overseas investment activities. This first supply chain revolution was transformative. Integrated production was at the heart of the project to rebuild relations with China, and Japan’s lead as foreign investor in Southeast Asia has been a pillar of its blueprint for regional integration. The intensified risk environment could lead to a second supply chain revolution with a greater emphasis on redundancy and diversification and bifurcation of productive chains, warns Solís.

The supply chain revolution is not merely about trade in intermediates, but the transfer of technological and managerial know-how and the fusion of investment and trade activities. Regional production networks in Asia thrived thanks to a steep reduction in transportation costs and barriers to international trade. Governments in the region sought to attract investment-for-export operations. Bottom-up regionalization in Asia stitched by crisscrossing supply chains laid the groundwork for top-down regionalism in the form of preferential trade agreements. Japanese firms developed core competencies in advanced materials, high tech inputs, and sophisticated machinery, becoming a technological pivot of the Asian supply chain. Japan’s dethronement as leader in the manufacture of consumer electronics and semiconductor chips is well known, but examples abound of the critical role that Japanese advanced inputs and machinery play in strategic supply chains in the Asia-Pacific. The globalization of Japan’s *monozukuri* (fine craftsmanship) has been essential to the transformation of Japan’s economy, has helped spur a new regional division of labor, and has provided impetus for the construction of a regional architecture geared towards supply chain trade. However, economic interdependence also carries risk, and the spread of production networks has accentuated at times the costs of supply shocks.

China’s embargo of rare earth shipments to Japan in September 2010 was a wakeup call for Japanese corporations and the government on the risks of asymmetric interdependence. Japan had the most success in reducing its reliance on Chinese rare earth metals. The Great Eastern Earthquake exposed both the centrality of Japanese advanced component manufacture for scores of industries in Japan and abroad, as well as the risks of a sudden stoppage to the supply of those components when a natural disaster hit. Given the severity of the production disruptions after 3/11, companies resorted to measures to increase resilience: greater use of standardized products, some increase in inventories, and diversification of suppliers. In 2019, Japan delisted South Korea from its White List for expedited export controls and South Korea retaliated in kind. The uncertainty about stable supply of critical materials had immediate and long-term effects. Both the Korean government and semiconductor firms responded with strategies to diminish strategic vulnerability, including a \$1.9 billion fund to promote domestic manufacture and diversification. Korean firms increased inventories, switched to domestic producers when possible, and diversified suppliers. Ripple effects in the supply chain have affected Japanese companies.

Japanese supply chains have endured significant strain at times of bilateral political friction or in cases of natural disaster. The production disruptions have propagated more broadly due to the vertical integration that links national economies more closely. But supply chains have also proved resilient and have helped firms hedge against production disruptions in one location. Common responses to supply shocks have included diversification of supply, localization, redesign and inventory efforts, and resort to multilateral trading rules. A main driver for this era of reasserted state intervention in international economic exchange is the strategic rivalry between the U.S. and China. Market distorting policies (such as industrial subsidies, preferences to state-owned enterprises, IP theft, joint venture limits, and forced technology transfer) that have been long-standing irritants have acquired new significance. China's authoritarian tilt, its ability to use its economic prowess as a tool of global influence, and the strategic repercussions of new technologies in the fields of 5G, AI, quantum computing, and semiconductors have raised the stakes. The supply chains that have been built about globally integrated sectors such as telecommunications and semiconductors are in the cross-hairs of this intensifying tech rivalry.

Advanced technology is at the heart of U.S.-China strategic competition. Concerned with the cybersecurity risks that Huawei represents (both because of the ability of the Chinese government to request confidential data and design vulnerabilities to hacking attacks), the American government banned the Chinese telecom firm from its 5G networks in 2019 and encouraged partner and allied nations to do the same. Further restrictions may be forthcoming as the Biden administration has ordered a review of supply chain vulnerabilities in four sectors: semiconductors, large capacity batteries, pharmaceuticals, and critical minerals. The adjustment costs for American and foreign companies in the semiconductor supply chain could be vast. As countries imposed lockdowns to contain the virus, economic activity sharply declined and critical supply chains were disrupted. Many governments responded to the scarcity of personal protection equipment and medicines with self-defeating export restrictions that will hinder the response to the health crisis. As export protectionism grew, so did calls to renationalize production in order to eliminate the risks of supply from abroad. However, broad re-shoring of production is neither feasible nor a panacea. While governments can attempt to change the incentive structure with sticks (mandatory export approvals) and carrots (subsidies), private companies will decide the if, how, and when of revamping cross-border production networks.

A wide-ranging set of protectionist/restrictive policies influence the operation of Japanese firms beyond the U.S.-China trade conflict: "national security" tariffs on metals and possibly autos and retaliatory responses from U.S. trade partners, tighter export controls, and investment screening mechanisms. Japanese firms are particularly susceptible to the U.S.-China trade war with a large share of companies in sectors such as chemicals, IT equipment, electronic products and parts, metals, and general machinery reporting an impact. Japan is likely the country experiencing the largest third country impacts due to the size of its economy and the large share of trade both with China and the United States. Due to the large foreign factor content in Chinese exports (the supply chain effect), the U.S.-China economic conflict is not bilateral; it has ripple effects across third parties. The Abe government launched in the spring of 2020 a subsidy program to re-shore or relocate production where there is overdependence from a single source (aka China). Subsidies

to strengthen supply chains have been awarded to more than 200 companies for a total of \$3.1 billion dollars. A bifurcation of Japanese supply chains—to serve the Chinese and American markets in the wake of proliferating national security controls—would represent vast change for lean supply chains built in the era of U.S.-China engagement, concludes Solis.

Jinji Chen, Hong-yu Lin, and Yi-ting Lien, “Taiwan’s Shifting Role in the Global Supply Chain in the U.S.-China Trade War”

The U.S.-China trade war and pandemic have had a profound impact on the global economy, which has triggered heated discussions of the importance of cross-border supply chains. China has been engaging in unfair competition by utilizing its national power, from trade and technology to COVID-19 responses. Concerned about national security, other countries have been stepping back from working with China. To ensure national security, both the U.S. and Japan are emphasizing self-sufficiency, especially in the semiconductor and medical care industries, establishing their own production capability with a reliable and resilient supply chain. After joining the WTO, China did not liberalize its economy and market as expected by the U.S. In fact, it continued to subsidize state-owned enterprises, infringed on intellectual property rights, forced technology transfers, and manipulated its yuan currency. All these unfair trading practices destroyed the value chain and damaged global economic activities such as investment and M&As.

A vertical division of labor apportions value chain activities to each country. Taiwan is embedded in the division of labor systems in Japan and the U.S., which provide forward-looking R&D capacities and key technologies, while Taiwan has established leadership in the semiconductor industry with a concentration of resources under policy support. High-end manufacturing is returning to Taiwan, Japan, Europe, and the U.S., while labor-intensive sectors are relocating to ASEAN and South Asia where wages remain low. Taiwan is faced with challenges such as slow recovery of the global economy, reindustrialization of developed countries, and the emergence of China’s red supply chain. Past success in production and manufacturing is unlikely to be repeated. New growth catalysts are required to revive industrial development and boost economic growth. After the COVID-19 outbreak, with a view to diversify supply chain risks to avoid large-scale production suspension and disruption, Taiwan is using the opportunity to adjust its economic structure—accelerating industrial upgrades and transformation, encouraging Taiwanese businesses to return home, spearheading the development of cutting-edge industries, and developing high-end R&D and management talent. Accelerating industrial structural adjustments and continued deepening of collaboration with the U.S., Japan, and Europe, and through the New Southbound Policy, can help Taiwan amid the reshuffling of the international supply chain.

The trade war had reduced China’s exports, particularly to the U.S. However, this reduction also caused China’s demand for components from other countries to drop—the main reason for the decline in other countries’ exports to China during the first half of 2019. Taiwan saw a drop of 9.1 percent, Japan of 9.4 percent, South Korea of 17 percent, and Singapore of 0.9 percent. Taiwan benefited from orders transferred from China and enjoyed a growth of

17.4 percent year-over-year, higher than 3.8 percent for Japan, 7.2 percent for South Korea, and 9.5 percent for Singapore. In total, Taiwan suffered a 2.3 percent decline in exports during the first half of 2019. Taiwanese companies relocated some server production lines from China to Taiwan, particularly the networking and communication products in relation to information security. Taiwan benefited from the orders transferred by the U.S. and witnessed noticeable growth since the second half of 2018. The dramatic growth of exports of computers, electronics, and optical products to the U.S. was a combination of the relocation of production lines back to Taiwan and U.S. orders transferred from China to Taiwan. Taiwan engages in R&D and ships semi-finished goods to China for processing, and China exports to the U.S. in large quantities to meet the demand there. This triangular trade involves orders received by Taiwan, production in China, and consumption in the U.S.

China has been fostering its own red supply chain with the government systematically supporting its own industries. The supply relationship between Taiwan and China has changed from a complementary vertical division of upstream to downstream to a competitive relationship in the same horizontal activities. The comparative advantage of Taiwan's division of labor in the global supply chain is being challenged. The emphasis is now on customization to meet the requirements for large varieties at small quantities. The shift from a vertical division of labor towards differentiation based on a horizontal division adds to the challenges faced by Taiwan in the adjustment of its industrial structure. Recovery will not happen in the wake of the pandemic. European and U.S. brands believe that they have been over-reliant on cost efficiency and outsourcing production to Asia and ignorant of the risks. As Europe becomes guarded against China, and the U.S. and Japan are decoupling from China, both governments and corporations have expressed an intention to accelerate "de-China" in their supply chains. Resilience of the supply chain has become a critical concern during the pandemic. This combined with the impact of the U.S.-China trade war has led to structural change in the supply chain. The emphasis is no longer just on low cost and high efficiency. It is on establishing a stable, diversified network of suppliers.

After the COVID-19 outbreak, the semiconductor industry has been considered a strategic must. Europe and the U.S. are seeking to build their own technologies and, for the purpose of security, encourage semiconductor heavyweights to invest in the U.S. This indicates up-and-coming change in the previous highly efficient model of vertical division of labor in this industry. The tech dispute between the U.S. and China, the effect of COVID-19, and the shortage of automobile chips are all highlighting the importance of the Taiwan semiconductor industry. The tension between the U.S. and China, the impact of COVID-19, and the explosive demand from technological advancement such as the Internet-of-Things and 5G, mean that the semiconductor is more than just electronic components. Rather, it is the "strategic material" contested by all. In 2020, TSMC announced it would set up leading-edge production in the U.S. by building a plant in Phoenix, which is scheduled to ramp up 5nm production in the first half of 2024. This is more than just TSMC establishing advanced process capacity overseas. It is the Taiwan semiconductor industry strengthening its global roadmap beneficial to supply chain cooperation with the U.S.

With the U.S. and China continuing to fight for dominance in international trade, Taiwan's role in the legacy system of vertical division of labor will gradually shrink. It is necessary to keep up with key trends in the new division of labor system across the supply chain by:

- 1) accelerating the reshuffling of the international supply chain by diversifying risks with

diversified footprints; and 2) speeding up digital transformation and smart manufacturing. Taiwan should turn the pandemic crisis into an opportunity to adjust its economic structure, accelerate industrial transformation, encourage businesses to invest back home, prepare for the roadmap of forward-looking industries, and develop high-caliber R&D and management talents. In the supply chain, Taiwan should step up collaboration with developed countries in different aspects of R&D and technology. It should hurry up in moving production sites to New Southbound countries with better connections with these companies in order to speed up the adjustment of Taiwan's industrial structure.

Amitendu Palit, COVID-19, Supply Chains and Dependence on China: The Indian Perspective

The outbreak of the COVID-19 pandemic highlighted the critical dependence of India's pharmaceutical industry on China for active pharmaceutical ingredients (APIs). This dependence for both intermediate and finished products has encouraged India to incentivize greater production at home through production-linked-incentives (PLIs) and to work with Japan and Australia on reorganizing regional supply chains. Efforts to reduce dependence on China assume great importance as India strives to become the leading supplier of affordable vaccines for tackling COVID-19. India's reputation as the "pharmacy of the world," drawn from its great proficiency in making affordable pharmaceutical formulations and vaccines, relies fundamentally on sourcing essential drug intermediates from China. India's large trade with China is primarily driven by its imports, a persistent concern for its policymakers for several years, since high import dependence constrains India's ability to respond effectively to an assertive China. Rapid deterioration in geopolitical relations between the two soon after the outbreak of COVID-19 led to comprehensive efforts to reduce import dependence on China.

China accounts for more than half of India's imports. Imports of antibiotics and heterocyclic compounds with nitrogen reflect China's share of 76.3 percent and 69.0 percent, respectively, highlighting India's high reliance on pharmaceutical imports from China. China is the most important source of India's antibiotic imports. Heterocyclic compounds—India's other major pharmaceutical import from China—also reflect a rising share of India in global imports. India's share in global pharmaceutical exports nearly doubled from 1.4 to 2.6 percent during 2010-2019. It has been on the verge of breaking into the club of top ten pharmaceutical exporters with more than \$16 billion. During the last decade, India rapidly expanded its share in total global vaccine exports from 0.8 to 3.9 percent. The near five-fold increase has resulted in India becoming the 7th largest exporter of vaccines. Antibiotics and heterocyclic compounds are bulk drugs used as APIs² for making final formulations sold as medicines—pills, capsules, or other final dosage forms—to consumers. After the U.S., China is the second largest source of India's imports of medical devices, personal protection equipment (PPE) used by healthcare staff in treating the infected, as well as some essential medical supplies. The Indian pharmaceutical and healthcare industry's dependence on China is broad-based, including imports required by producers as intermediates in the supply chain, as well as items meant for end-use by consumers and frontline healthcare professionals as final products. Overcoming such dependence is a challenge.

As import supplies were interrupted due to a production lockdown and worker quarantine in Wuhan—the hub of bulk drug production in China—Indian pharmaceutical firms began to worry about their ability to supply medicines to consumers. Responses include domestic policies for encouraging higher local production of APIs, drug intermediates, and essential raw materials, and collaboration with other countries for building multi-country partnerships to reduce import dependencies on China. India does not produce enough APIs locally. High production costs, arising from poor infrastructure, a large burden of regulatory compliance, lengthy environmental clearances, and inadequate government support, disincentivize local production of APIs and drug intermediates. It is essential for India to ensure its formulation makers are not affected by supply disruptions. Important for minimizing such disruptions is to incentivize domestic production of APIs. The policy, including the financial incentives for encouraging local production, has been spelled out in the PLI scheme announced for pharmaceuticals.

Other than pharmaceuticals, industries being incentivized include automobiles, electronics, textiles, food processing, mobile phones and telecom equipment, solar photovoltaic, modules, chemical batteries, steel, and “white goods” (e.g. air-conditioners). Most of these industries depend critically on imports from China. Alongside the spread of COVID-19, India’s relations with China dipped to their lowest in several decades with their militaries clashing on the disputed border in the high Himalayas leading to loss of lives in June 2020. The combination of economic dependence and geopolitical friction produced the call for self-reliance from a government searching for solutions to push back. COVID-19 and concomitant supply chain disruptions provided an unexpectedly conducive context for encouraging domestic production of import substitutes. *Atmanirbhar Bharat*, expands and accelerates the Modi government’s flagship initiative of “Make in India” by providing state support for financing import-substitution.

The vision of an economically self-reliant India reflects unusual energy and commitment to attract new investments for increasing domestic production and reducing dependence on imports. Major manufacturing investments from the U.S., Japan, Korea, and France are being targeted. Most foreign investments, so far, appear to be moving into the electronics and semi-conductor industries. Foreign investors might be keener on investing in India through the “brownfield” route of acquiring assets of existing Indian firms, rather than the “greenfield” route of establishing capacities through new projects. Indian authorities prefer the latter given their uneasiness over the prospects of successful Indian generic formulation companies being taken over by foreign firms, particularly Chinese businesses. Foreign investments in brownfield pharma projects in India are subject to restrictive conditions: maintaining minimum production of essential medicines for domestic consumers, pre-specified R&D expenditure levels, and compliance conditions for transfer of technology. Moreover, investors also have to comply with government-determined pricing policies for sale in the domestic market. Such perspectives might hinder large foreign investments in India’s pharmaceuticals. In the long journey that lies ahead for Indian pharma to reduce dependence on China, greater production of import-substitutes is not achievable only through financial incentives. China’s industrial proficiency is the best example of the value of quality infrastructure in encouraging growth of global industrial champions.

India has leaped to the forefront in the global fight against COVID-19 as a major producer of vaccines. In the foreseeable future, the reliance on China in India's vaccine producing supply chain is likely to persist, as much as its reliance for producing other formulations. Japan and Australia have combined with India to announce the Resilient Supply Chain Initiative (RSCI), which emphasizes regional cooperation for increasing the resilience of supply chains in the Indo-Pacific. Economic concerns were compounded by geopolitical anxieties as the onset of COVID-19 corresponded with escalation in geopolitical tensions with China for all three countries. The RSCI's mention of the Indo-Pacific in its construct is reflective of the effort of its proponents to spread the message of diversifying risks and mitigating geopolitical tensions.

India recently shifted to a more pragmatic strategy of "doing business" with China by gradually relaxing controls imposed over Chinese investments. The shift comes right after both countries decided to implement a purposeful plan of withdrawing their troops from the Himalayan borders for deescalating tensions. In pharmaceuticals, it will take years before significant parts of the supply chain can be sustained without imports from China. Until then, pragmatism might be the best way forward for sustaining the domestic economy and maintaining regional stability.

Endnotes

¹ Jeanne Whalen and Ellen Nakashima. "U.S. bans technology exports to Chinese semiconductor and drone companies, calling them security threats," *Washington Post*, December 18, 2020, <https://www.washingtonpost.com/technology/2020/12/18/china-smic-entity-list-ban/>.

² The US Food and Drug Administration (FDA) defines APIs as "any component that provides pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease, or to affect the structure or any function of the body of man or animals," <https://www.fda.gov/drugs/drug-approvals-and-databases/drugsfda-glossary-terms#:~:text=An%20active%20ingredient%20is%20any,body%20of%20man%20or%20animals.>

The Future of U.S. Supply Chains: National Security and the Pandemic

Troy Stangarone

The COVID-19 pandemic has been the most significant economic disruption to the international economy since the Great Depression. The IMF estimates that the global economy contracted by 3.5 percent last year, while the WTO has projected a 5.3 percent decline in global trade.¹ The economic impact on the United States has been significant as well. Early in the pandemic the United States experienced shortages of critical medical supplies and products, while the need to social distance has continued to place restrictions on the overall economy. For 2020, the pandemic saw GDP decline by 2.3 percent, while exports fell by 12.9 percent and imports by 6.4 percent. All of this has resulted in an increased focus on supply chains and their vulnerabilities.

While COVID-19 has raised concern about disruptions to U.S. supply chains, the pandemic is not the only disruption that supply chains have faced in recent years. Over the last decade, natural disasters such as the 2011 earthquake and tsunami in Japan and political shifts such as the United Kingdom's decision to leave the European Union, have disrupted supply chains. As the McKinsey Global Institute notes, these disruptions to supply chains are becoming increasingly frequent. Disruptions of more than 2 months now occur, on average, once every 4.9 years.²

What makes this disruption different is that it is occurring at a time of increasing geopolitical tensions and growing concern over U.S. supply chains' dependence on China. Since 2018, the United States and China have been engaged in a trade war, while the Trump administration began raising concerns about the security of U.S. supply chains in China prior to the pandemic.³ Once the pandemic began, it simply became an additional avenue for the Trump administration to pursue its goal of moving U.S. supply chains outside of China. With the election of Joe Biden as president there had been hope that the United States might pursue different policies, but the Biden administration also placed an emphasis on securing supply chains in light of the pandemic and bipartisan concern over China's role in U.S. supply chains.

To explore these issues, this chapter first examines the Trump administration's approach to China and supply chains. It then considers how supply chains have performed during the pandemic and how the Biden administration and Congress have approached the issue. Lastly, it considers what challenges the administration will face in adjusting supply chains and what options it might have.

The Trump Administration's Trade War with China and Critical Supply Chains

While U.S. policy began to focus more on the rise of China under the administration of Barack Obama, it took a significant turn under Trump, which he foreshadowed during the 2016 campaign, when he singled out China as an unfair trade partner. In a speech on the economy and trade, then-candidate Trump criticized the decision to allow China into the WTO and suggested that he would use Section 301 of the Trade Act of 1974 and other tools to take on China.⁴

Policy began to shift on multiple levels once Trump entered office. What eventually grew into a full-scale trade war began with a decision to accept U.S. International Trade Commission recommendations for tariffs on solar panels and washing machines in October

2017. In early 2018, the Trump administration announced the conclusion of a Section 232 national security investigation that would result in tariffs on imports of steel and aluminum from China and other countries.⁵

The most significant action, however, was the Section 301 investigation of China's practices on technology and intellectual property. The report focused on China's use of subsidies to support industries, forced technology transfers for foreign firms, and restrictive licensing regulations. It concluded that Chinese theft of U.S. intellectual property costs U.S. firms between \$225 and \$600 billion annually. The report also served as the basis for the escalation in tariffs on imports from China that underpinned the trade war.

In parallel to these actions on trade the administration was also reassessing the foreign policy relationship with China. The 2018 National Security Strategy acknowledged the return of great power competition to international relations with China as a main competitor for the United States, while a 2020 inter-agency report on the "United States Strategic Approach to the People's Republic of China" concluded that engagement with China had failed as a policy.

In addition to the tariffs from the Section 301 investigation on China, which the administration hoped would force companies to reconsider production in China, the administration took specific steps to deal with supply chains related to technology and rare earth minerals. It sought to remove China's access to critical U.S. components and placed more than 300 Chinese firms on the Entity List, the most noted of which was Huawei.⁶ At the same time, it sought to discourage countries from deploying 5G equipment from China and worked to convince countries and companies to sign up for a common set of standards under its Clean Network initiative.⁷ Trump also signed Executive Order (EO) 13873 to increase restrictions on the export of U.S. technology.

On rare earth metals, which are critical to defense technology and modern electronics, Trump signed EO 13817 to reduce the U.S. vulnerability to disruptions in the supply of rare earth minerals. The EO sought to develop a list of critical minerals and a plan to support the supply chain for them. The administration released its critical minerals strategy in 2019 and awarded a series of relatively small grants to support mining operations for the defense industry.⁸ It also developed Joint Action Plans on Critical Minerals with Australia and Canada to spur industry cooperation on identifying new sources of rare earth minerals.⁹

Once the pandemic began, the administration utilized it to bolster its argument to return supply chains to the United States. At a Ford plant in Michigan, Trump said "The global pandemic has proven once and for all that to be a strong nation, America must be a manufacturing nation."¹⁰

Peter Navarro called for the return of medical and pharmaceutical production from China and U.S. allies back to the United States saying that "By onshoring more of our pharmaceutical supply chain it will not only be more resilient. It will offer important opportunities to reduce drug prices through the rapid adoption of cutting-edge advanced manufacturing processes."¹¹ Secretary of Commerce Wilbur Ross suggested that the pandemic would "help accelerate the return of jobs to North America,"¹² and USTR Robert Lighthizer argued that the pandemic was accelerating the end of offshoring.¹³

Supply Chain Performance during the Pandemic

The modern supply chain was made possible by the invention of the intermodal cargo container in the 1950s. Over the decades, further innovations in tracking, monitoring, and shipping supplies allowed firms to move towards “just-in-time” production that reduced the need to maintain large levels of inventory, and shrink costs. Those supply chains also began to expand across the globe, creating more points for the types of disruption that have occurred from COVID-19. Despite shortage of products and general perceptions, however, supply chains have on the whole performed relatively well. Initially, supply chain disruptions hit domestic production in China in January 2020. Automakers began to idle plants, and companies such as Apple, that are dependent upon assembly in China, began to examine how to adjust their supply chains. The disruptions, however, were somewhat minimized initially by the traditional closure of factories for the Lunar New Year.¹⁴ Supply chain disruptions did not begin to impact firms outside of China until early February when Hyundai Motors decided to idle all seven of its plants in South Korea due to a shortage of parts.¹⁵ Despite concerns that the pandemic would have a significant impact on supply chains from disruptions to international trade and industrial production, after an initial steep decline both returned to pre-pandemic levels by the end of the year.¹⁶

Rather than view the performance of supply chains from the perspective of disruption, a distinction between the resilience and robustness of supply chains should be made, while also noting the ability to redirect products to new supply chains. Resilience relates to the ability of supply chains to return to normal operations after the disruption in a reasonable period of time. Robustness is the ability of supply chains to continue operations during a crisis.¹⁷ Redirecting goods relates to the ability of producers to shift from one supply chain to another for essential products.

The experience of Hyundai’s plants in South Korea is one of resilience. Within a relatively short period of time, operations were able to return to normal. Samsung’s ability to shift production of some smartphones to factories in Vietnam after an outbreak of COVID-19 in its South Korean factory reflects robustness. The challenges to keep shelves stocked with food and toilet paper early in the crisis are related to the ability to redirect products from commercial to consumer supply chains. According to one survey of supply chain managers in the United States, 78 percent of supply chains were disrupted by the pandemic.¹⁸ Increased demand left grocery stores short of items such as canned food and pasta, while toilet paper was difficult to find at grocery stores and department stores. The challenges of these industries were more related to increasing demand or an inability to switch products from one supply chain to another.

The food supply chain has held up relatively well. While there were some closures of meat packing plants in the United States, farmers and ranchers who sold products to restaurants had difficulties redirecting their supplies to consumer markets. Faced with no market for their food despite emptying shelves at grocery stores as Americans redirected their consumption of food from restaurants to homes, usable food was destroyed.¹⁹ But, on the whole, food supply chains were resilient. In the case of toilet paper, “just-in-time” production meant that there were not significant enough amounts in warehouses to meet demand. Prior to the pandemic, production of toilet paper was at 92 percent of machine capacity. In March, that increased to 99.9 percent.²⁰ Excess toilet paper was available, but unused, at restaurants, hotels, and office buildings.²¹

The pandemic has also resulted in supply chain disruptions from increased demand rather than supply disruption. In the initial months of the pandemic, social distancing measures and concerns over the pandemic resulted in a drop of over 90 percent for restaurant reservations on OpenTable by March 18, 2020.²² As consumers shifted from dining out to eating at home, demand for prepackaged food increased fivefold. The shift to working at home and the increased need to disinfect products and surfaces to protect against COVID-19 resulted in a similar level of demand for household supplies.²³

With businesses and schools moving to remote work to comply with stay-at-home orders, there was an increase in demand for consumer electronics such as PCs, game consoles, monitors, smartphones, and other electronic products. The increase in demand went beyond what semiconductor manufacturers could produce. As a result, some automotive companies had to suspend production due to chip shortages, but Apple and Sony suggested that increasing demand resulted in shortages for their products as well.²⁴

While increased demand for consumer electronics and automobiles has resulted in a supply shortage for the automotive industry, the trade war with China has also played a role. When the Trump administration blacklisted Huawei, the company began to stockpile semiconductors, taking up potential supply. The decision to also blacklist China's Semiconductor Manufacturing International (SMIC) resulted in further supply constraints. At least one automaker switched its sourcing of semiconductors to Taiwan Semiconductor Manufacturing, which was unable to meet the demand with other companies looking to switch suppliers²⁵ or stockpile chips over concerns regarding the new export controls.²⁶ The pandemic has exposed a mismatch between how supply chains for the automotive industry and semiconductor industry work. The automotive industry has developed a "just-in-time" model to minimize inventories, but the semiconductor industry requires a more managed relationship due to the time needed to scale up inventory risks for semiconductor producers or maintain excess inventory of their own.²⁷

Increasing demand has also impacted the pharmaceutical industry, wherein the effort to ramp up production of vaccines is causing supply disruptions for other drugs. While the use of the Defense Production Act has ensured that vaccine makers have access to the ingredients and production space that they need, it has left a shortage of equipment, production lines, and ingredients in the case of some other drugs,²⁸ although drug shortages in the United States date back at least two decades.²⁹

In the area of medical products, it is less conclusive that supply chains broke down overseas. China accounts for more than 50 percent of the world's imports of critical personal protective equipment such as protective garments, surgical and respirator masks, and medical goggles.³⁰ It is also the world's second largest source of active pharmaceutical ingredients (API) after the United States. An analysis by Avalere found that 54 percent of the APIs used in finished pharmaceutical products are in the United States.³¹ Despite being the world's second largest source for APIs and the third largest for the United States, China accounts for only 6 percent of the APIs in medicines consumed by Americans. Ireland instead is the second largest source for APIs and accounts for 19 percent.³²

Additionally, because pharmaceutical production is a capital intensive industry, offshoring of production for high quality pharmaceuticals has been driven more by the tax structure in the United States than production costs abroad, with Ireland and Switzerland being two of the beneficiaries.³³ Logistics have also played a role. Social distancing rules have created backups not just in ports, but also along the full intermodal system.³⁴

Biden Administration Policies on Supply Chains and Reshoring

Joe Biden was elected president on a campaign to deal with the pandemic, “Build Back Better,” and restore America’s relations with allies. As part of that pledge, Biden called for increased support for manufacturing in the United States and the return of critical supply chains.³⁵ Since taking office, the Biden administration has prioritized restoring U.S. manufacturing and securing supply chains, not dissimilar from the Trump administration. Its Interim National Security Guidance commits to prioritizing U.S. economic recovery from the pandemic including through investments in national competitiveness and securing critical supply chains.³⁶

Trade policy would normally be an important part of an administration’s efforts to develop resilient supply chains, but that may not be the case in the Biden administration. While the Trade Policy Agenda released by USTR, prior to USTR Katherine Tai’s confirmation, notes that the trade agenda is a key component of the recovery from COVID-19 and says that “Central components of the 2021 trade agenda will be the development and reinforcement of resilient manufacturing supply chains, especially those made up of small businesses, to ensure that the United States is better prepared to confront future public health crises,”³⁷ the early decisions on supply chains have occurred without significant involvement by USTR.

The administration has also been slow to develop a trade policy, and there are indications that national security and domestic policy will play a larger role in the decision-making process. Three weeks into the Biden administration, officials acknowledged off-the-record that trade priorities were still being discussed within the administration, and used talking points such as “Trade policies that support and benefit American workers are what you’ll likely see her [USTR Katherine Tai] bring to the job.”³⁸ Tai’s confirmation was not a priority, and the opening statement of her confirmation hearing did little to go beyond talking points about strengthening relations with allies and boosting resilience.³⁹

In contrast, Biden has made clear in his own remarks that the policy will be shaped more by geostrategic concerns about China and domestic considerations than the pandemic itself. In remarks at the Department of Defense, he announced that the department will be taking the lead on a China policy review of the key priorities for dealing with China, including technology.⁴⁰ These reviews may result in a shift from “decoupling,” which is likely an unachievable policy, to a more nuanced “small yard, high fence” policy focused on a limited number of areas.⁴¹

Supply chain issues are also part of the Quad’s Critical and Emerging Technology Working Group,⁴² including in semiconductors and rare earths, areas where the Biden administration appears to be building on the cooperation begun under the Trump administration.⁴³ The nature of the Quad as a counterweight to China, also, suggests that national security rather

than tech or trade policy is driving collaboration on the issue for the Biden administration in much the same way as it did in the Trump administration. The administration has also indicated that it is not looking to remove the Trump administration's tariffs in the near future, further underscoring its geostrategic focus on China. In Tai's first remarks after her confirmation, she suggested that the administration is unlikely to remove tariffs unless it receives something in return.⁴⁴

Domestic considerations are also at play. In signing an EO to review critical supply chains, Biden said, "Resilient, diverse, and secure supply chains are going to help revitalize our domestic manufacturing capacity and create good-paying jobs, not \$15 an hour—which is what we need to do someday. And sooner is better, in my view. But jobs that are at the prevailing wage."⁴⁵ The EO consists of two major components. The first is a 100-day review of vulnerabilities in supply chains for APIs, rare earth minerals, semiconductors, and large capacity lithium ion batteries. The second component is a year-long review of supply chains for agriculture and the industrial bases for information and communications technology, defense, energy, public health and biological preparedness, and transportation. This longer review will identify key risks for these areas and provide recommendations to improve supply chain resiliency.⁴⁶

While the reviews will include the departments of Defense, Commerce, Energy, Health and Human Services, Transportation, and Homeland Security, they do not appear to have a role for USTR, suggesting the focus on supply chains will be geared more towards building domestic capacity than ensuring that trade policy supports resilient supply chains.

The Biden administration's report after its initial 100 day review demonstrates some of these tensions between working with allies within existing supply chains and promoting the development of domestic production. The report understandably focuses on the steps the United States can take to promote production domestically, such as the use of government funds and purchases to support domestic manufacturers. However, despite acknowledging that "To ensure resilient supply chains, it is essential that they be globalized" and that the United States will be unable to produce all critical components domestically, its recommendations on trade policy and cooperation with allies are less focused. On trade policy, the recommendations are largely confined to the need for trade enforcement and the consideration a Section 232 national security investigation into imports of neodymium magnets. In regard to allies, the report calls for engaging allies on supply chain vulnerabilities and hosting a presidential summit, but perhaps most substantively also recommends that the U.S. Development Finance Corporation be utilized to support the development of secure supply chains abroad.⁴⁷

In addition to the supply chain review, the Biden administration has dedicated funding to address some of these issues in its infrastructure proposal, the American Jobs Plan. The infrastructure proposal calls for \$50 billion to support manufacturing and research and development of semiconductors, as well as funding for research into the separation of rare earth elements, and pharmaceutical ingredients.⁴⁸

Biden also signed an EO to strengthen the "Buy American" provisions for government procurement,⁴⁹ but this may have limited impact unless the administration withdraws from the WTO's Government Procurement Agreement and renegotiates provisions in U.S. FTAs related to government procurement.

Congressional Supply Chain Initiatives

Congress has also played an active role in addressing concerns over the security of critical U.S. supply chains. The exposure of U.S. supply chains to China initially brought the issue to the attention of Congress,⁵⁰ but the functioning of supply chains during the pandemic also became an issue for it. In the 116th Congress, which ended in 2020, attention largely focused on supply chain issues related to semiconductors, rare earth minerals, and pharmaceutical and medical supplies.

Semiconductors are critical components of modern economies, playing a crucial role in everything from smartphones to heated seats in vehicles. They are also critical to the emerging technologies that are likely to drive technological development in areas ranging from self-driving vehicles to artificial intelligence and advanced defense technologies. For these reasons there is a strong interest in maintaining U.S. and allied dominance. The current semiconductor supply chain is largely controlled by the United States and its allies. The United States accounts for 39 percent of the total value in the global supply chain for semiconductors, while its allies account for 53 percent.⁵¹

To strengthen this sector, the 116th Congress included the Creating Helpful Incentives to Produce Semiconductors for America, or “Chips for America,” Act in the 2021 National Defense Authorization Act. The legislation would support the semiconductor industry in three significant ways. First, it establishes a new program at the Department of Commerce to incentivize investment in facilities and equipment in the semiconductor industry in the United States. Second, it authorizes the Secretary of Defense, in coordination with other departments, to establish a public-private partnership to ensure the production of the microelectronics necessary for equipment critical for national defense. Lastly, it attempts to address the allied dimension of the semiconductor supply chain by establishing the Multilateral Semiconductors Security Fund to provide a co-funded source for the United States to work with allies to align policies and develop secure semiconductor supply chains.⁵²

The pandemic, however, has also brought the role of supply chains for pharmaceuticals and medical devices to the attention of Congress as the United States dealt with shortages of personal protective equipment and pharmaceutical products. As the first wave of COVID-19 hit, a Johns Hopkins report estimated U.S. PPE needs for the first hundred days and found that the United States would require 3.393 billion gloves, 321 million isolation gowns, 179 million medical grade masks, and 57 million N95 or similar respirators.⁵³ With critical supply chains for these items located in China, the United States was unable to meet the growing demand.

Prior to the pandemic, China accounted for 48 percent of U.S. imports of PPE. In areas such as face masks the figure was 70 percent of U.S. imports. While it was not as large a source of imports for some other products, it still accounted for 42 percent of protective garments and 38 percent of gloves.⁵⁴ But Chinese restrictions on exports of face masks and its efforts to import more from the rest of world placed strains on efforts by the United States to meet its needs.⁵⁵

Addressing these challenges requires a deeper understanding of U.S. medical supply chains. As part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Congress included provisions to help gain a better understanding of medical supply chain issues in the United States. It expanded reporting requirements to help better understand the finished drugs and APIs produced in the United States, for drugs facing shortages; required the FDA to maintain a list of shortages of medical devices; required risk management plans from certain pharmaceutical manufacturers; and tasked the National Academies of Science, Engineering, and Medicine to study the security of U.S. medical devices and pharmaceutical supply chains.

One effort to focus more production in the United States, the U.S. MADE Act of 2020, would have prohibited the use of federal funds to purchase PPE for the Strategic National Stockpile from foreign sources and created a 30 percent tax credit for qualifying PPE manufacturing projects. It did not gain traction in the 116th Congress and has yet to be reintroduced in the current Congress.

In the 117th Congress, the American Rescue Plan provides \$6 billion to support the supply chain related to COVID-19 vaccines and \$500 million for the FDA to conduct oversight of supply chains related to the pandemic. The legislation also provided \$10 billion to support the purchase and production of PPE and vaccines through the Defense Production Act of 1950. While the American Rescue Plan provides support to address immediate supply chain constraints, Congress has not yet taken up legislation to address longer-term medical supply chain issues.

Rare earth minerals have also been an area of focus for Congress. These minerals are necessary for many electronics and defense components, and the United States has become dependent on China for their supply. China is estimated to account for upwards of 85 percent of the production of rare earth minerals and 80 percent of U.S. imports of rare earth minerals.⁵⁶ The 116th Congress introduced a series of bills that took different approaches to the issue. Some would establish tax incentives or Defense Department grants for the extraction of rare earth minerals, while other legislation focused on research or the recycling of rare earth minerals.

In the current Congress, some initial legislation looks at supply chains more broadly. Senators John Cornyn and Christopher Coons introduced separate bills related to securing supply chains. Senator Cornyn's bill, S.849, would require the director of the CIA and the director of National Intelligence to conduct a study to identify critical supply chains for national security. Coons' legislation, S.869, would establish an office in the Department of Commerce to manage relations with state and local governments and the private sector on supply chain preparedness.

The Challenge in Moving Supply Chains

Economic interests have driven the development of supply chains, and adjusting them to place a greater emphasis on national security will be difficult. From 2000 to 2017, significant changes took place in global value chains. China replaced Japan not only as a traditional trade hub, but also in the subfield of ICT. At the same time, trade became more regionalized and U.S. linkages with the rest of the world declined.⁵⁷ As production has shifted around the world, it has also been driven by the increasing complexity of parts. Production is no longer done by vertically integrated firms, but by a series of specialists who provide parts. Even something as seemingly simple as an LED lightbulb requires suppliers with unique skill sets.⁵⁸

China's infrastructure and specialized producers have made it central to modern production. The quick pace at which it was able to restore its economy during the pandemic and its status as the world's second largest economy will further deepen the reluctance of firms to shift supply chains away from China, although some will opt for the China-plus strategy to provide some robustness to their supply chains and ensure that they are able to serve both the U.S. and Chinese market. For firms that shift supply chains away from China, the pandemic has not been the primary motivation. Early in the pandemic, 33 percent of U.S. firms in China were considering moving supply chains, but increased costs from the trade war's tariffs were the primary reason. Fifty-eight percent were also concerned that more resilient supply chains would result in increased costs.⁵⁹ A more recent survey by the American Chamber of Commerce in China found a similar percentage of firms planned to reduce or maintain their current level of investment in China; on the whole, 81 percent of firms expect economic conditions in China to improve this year.⁶⁰

Costs will remain an issue for firms. A Bank of America study found that moving all foreign supply chains out of China would cost \$1 trillion over five years.⁶¹ That does not include the increased long-term costs from moving to developed markets where costs are higher. In the semiconductor industry, for example, the total 10-year cost of a new factory is 30-50 percent higher in the United States than other countries. An estimated \$20-\$50 billion in federal grants and tax incentives would be needed to equalize costs.⁶² In recent years there has been a trend towards moving some production away from China to Southeast Asia. The Kearney China Diversification Index suggests that production has been moving there over a series of years, and it has been accelerated by the U.S.-China trade war. However, Kearney notes that there is also evidence of transshipping Chinese goods through countries such as Vietnam. There are limits, however, to this shift. Firms looking to move production to Southeast Asia would lack access to the same quality of infrastructure they find in China and would need to either bring suppliers with them or move production back in-house.⁶³ Securing new suppliers would require going through an extended process to certify that their parts meet required standards for final products.

Prior efforts to move supply chains have had only partial success. An early example is Japan's efforts to reduce its dependence on China for rare earth minerals, China's dominance of which became an issue after a diplomatic dispute with Japan in 2010. At the time, China produced 97 percent of the world's rare earth minerals. Rare earth minerals are critical to the production of consumer electronics and the defense industry, and there was and remains significant interest in establishing other sources of production. The Japanese

government and Japanese companies invested in mining projects in other countries. As a result, the Australian firm Lynas is now the world's largest producer of rare earth minerals.⁶⁴ However, despite support from the Japanese government and increased investment by companies after 2010, China still controls an estimated 85 percent of the production in rare earth minerals and accounts for 56 percent of Japan's imports.⁶⁵ A decision by the Pentagon to fund production for defense purposes may help further reduce Chinese dominance, but low prices, high startup costs, and environmental concerns have helped China maintain a significant majority of the production.

Another challenge will be building confidence in new supply chains in critical industries such as medical supplies. According to the WTO, as of March 30, 2021, there have been 285 export restrictions placed on trade in goods.⁶⁶ Some of the most noteworthy have included France and Germany's initial export ban early in the crisis, on exports of PPE to other EU member states such as Italy and Spain.⁶⁷ While the United States does not have export controls, its use of the Defense Production Act has disrupted the export of raw materials used in vaccine production and distribution as firms are required to fulfill U.S. government orders before exporting any additional production. This has resulted in supplies being tied up in the United States rather than going to a country like India with a greater immediate need.⁶⁸

With the rollout of vaccines to inoculate populations against COVID-19 new restrictions are being put in place. The United States and the United Kingdom both have the ability to block the export of vaccines, while the EU established an export control regime in early 2021 that required vaccine producers to seek authorization for the export of vaccines and allowed member states to block exports if contractual obligations are not being met. In March, Italy became the first country to use the new export regime when it blocked the export of 250,000 doses of the AstraZeneca vaccine to Australia.⁶⁹

Developing secure medical supply chains is about the ability to produce specific products. There have been shortages of the raw ingredients needed to produce vaccines and specialized plastic bags needed in the production process.⁷⁰ It also requires the ability to produce the products needed to deploy vaccines and other medical goods. A specific type of needle is required to vaccinate populations. While the United States is already the world's largest producer of syringes, it faces a shortage of the needles necessary for vaccinations.⁷¹ Developing secure supply chains of medical products requires thinking through the supply chain of mundane components and how a vaccine would be deployed. Without sufficient products such as needles for inoculations, a secure vaccine production supply chain has limited value. It would not be cost effective for the United States or other countries to move towards production of all medical supplies, or other critical inputs, domestically. Instead, steps need to be taken to ensure that the proper procedures and trust are in place to allow supply chains to function properly.

Critical components in the supply chain may also not be identifiable until a crisis occurs. Prior to COVID-19, mRNA vaccines were not FDA-approved for any disease,⁷² but now they have become one of the more successful ways to vaccinate against COVID-19. However, they require suspending the genetic materials in the vaccine in lipid nanoparticles. These specialized particles are produced by only a small number of firms in the United States, Canada, and Austria.⁷³ It is unlikely that prior to the pandemic lipid nanoparticles would have been identified as critical components in the supply chain.

Recent events in Texas highlight why reshoring production will not necessarily build resilience and could instead increase risk to supply chains. In February of 2021, an Arctic blast sent extreme cold weather south covering all of Texas and straining power systems. To maintain power to homes and hospitals, factories in Texas had to suspend operations. This affected production at Samsung's semiconductor factory outside of Austin and chemical plants along the Gulf Coast. The suspension of production at Samsung's facility further strained the already challenged supply chains for semiconductors. The facility accounts for 5 percent of global semiconductor production and has been idled for more than a month,⁷⁴ raising concerns about the spread of the semiconductor shortage from automobiles to smartphones and PCs.⁷⁵ The same storm has idled chemical plants as well creating shortages for plastics across a range of industries, including for medical supplies such as PPE.⁷⁶

As the effects of climate change become more common, the probability of extreme weather that could disrupt production will become another consideration for the location of supply chains. Moving supply chains is about more than moving production. In the case of some products, such as semiconductors, a small number of firms specialize in the production of key chemicals or components. This issue came to the fore when Japan decided to place export restrictions on three key chemicals necessary for semiconductor production in South Korea in 2019. Photoresists, for example, are produced by only a small number of companies, and 90 percent are believed to be produced in Japan. South Korean semiconductor firms Samsung and SK Hynix were dependent on Japan for supplies.⁷⁷ To resolve this issue the South Korean government has invested in developing domestic capacities,⁷⁸ while some Japanese firms have moved production to South Korea.⁷⁹ South Korea is still working towards developing a domestic semiconductor supply chain.

With a significant portion of the world's semiconductor production in South Korea and Taiwan, the United States will need to calculate the geopolitical risk of China's relations with each and how that may affect access to semiconductors for U.S. businesses and allies. Senator Marco Rubio has pointed out a similar issue in the case of rare earth minerals. Even if the United States is able to increase the mining of minerals, if it is unable to also spur additional refining capacity it will still need to send minerals to China for refining.⁸⁰

Systems for procuring goods also need to be considered. In addition to the challenges of agricultural producers in switching supply chains, the efforts of U.S. companies and entrepreneurs to expand domestic production of face masks during the pandemic highlights some of the challenges of returning production to the United States. Initially, production by established domestic suppliers was not enough to meet demand. However, as new production came online from new market entrants, state governments, hospital systems, and medical supply distributors stuck with established suppliers, despite at least one new U.S. producer being price competitive.⁸¹ Many of these firms are now struggling financially and face the closure of their businesses. In the absence of a longer-term strategy that combines government purchases with loans and subsidies, new firms that enter the market to increase U.S. domestic production will likely fail to gain market share while the economic incentives will continue to favor imports rather than expanded domestic capacity by established firms.⁸²

Options for the United States

The impact of the pandemic on supply chains for medical equipment, the subsequent semiconductor shortage, and the grounding of a cargo container ship in the Suez Canal have all highlighted the risks of global supply chains, but concentration of supply chains in one location brings its own risk. The growing geopolitical contest with China is pushing the United States to reexamine the security of supply chains for critical components. In doing so, the Biden administration should consider stockpiling, additional funds for research and development, international trade, and technology to better secure U.S. supply chains.

Stockpiling

The pandemic and prior natural disasters have demonstrated how natural events can disrupt supply chains. Stockpiles of medical supplies and parts can help healthcare systems and firms whether or not the disruption to supply chains is from natural events. The modern Strategic National Stockpile was originally authorized in 1998 as the National Pharmaceutical Stockpile. At the time, it was designed to create a reserve of vaccines and pharmaceuticals to prepare for chemical or biological attacks, as well as widespread disease. In 2003 it was renamed the Strategic National Stockpile and expanded to warehouse supplies of other medical necessities such as PPE.⁸³

The Strategic National Stockpile failed during the pandemic because a series of administrations and Congresses underfunded the reserve and failed to replenish supplies that were used during the outbreak of H1N1.⁸⁴ With the experience of a modern pandemic there should be a better understanding of certain supply needs for the Strategic National Stockpile. But if the goal is to move towards supporting more U.S. manufacturers the government may need to consider joint purchasing contracts with private medical providers that follow “Buy American” procedures and transfer perishable products over time to the private sector. This could also help address the tendency to defund stockpiles as a crisis fades from memory.

The production slowdowns in the automotive sector demonstrate the need for stockpiling as well. While firms have been able to quickly shift into the production of facial masks,⁸⁵ items such as semiconductors require significant expense and time to add production. TSMC, the world’s largest contract semiconductor producer, for example, plans on constructing a new facility in Arizona. Construction is expected to begin in 2021 with a total investment of \$12 billion. Production is expected to begin in 2024.⁸⁶

While stockpiling components creates resiliency, it also comes with a financial burden for firms. Apple recently cut production of its iPhone 12 mini when sales did not meet expectations.⁸⁷ The “just-in-time” model reduces the financial burden of production changes of this kind by reducing stock on hand that might now not be used due to the changes in production from declining sales or the need to update a product with a new version of a component, as in semiconductors where advancements take place relatively quickly. The Biden administration’s proposal for the federal government to provide purchase guarantees for critical minerals in its 100 day supply chain review could be one option, but some costs may need to be addressed through the introduction of tax credits to encourage stockpiling of critical components by the private sector.

Research and Development

Discussion of supply chains should not be viewed in a static manner related to today's products, but rather in the context of a fluid technological mix. As new technologies emerge related to renewable energy, electric vehicles, and autonomous technologies, supply chains for these products will initially develop around the locations where new products are developed and existing supply chains can meet new demands. If the United States is unable to maintain its technological edge and innovative capacity, supply chains for future market leading products will, over time, gravitate to new markets.

At the moment, the United States is still the world's largest source of funding for research and development (R&D), but China has been rapidly closing the gap. After the global financial crisis U.S. federal investment in R&D declined in real terms through FY 2015. While federal funding has resumed increasing, and total U.S. R&D is expanding, China's R&D is growing at a rate three times higher than the United States.⁸⁸ Despite the recent growth in federal funding for R&D, federal funding as a percentage of U.S. R&D is declining.⁸⁹ Viewed as a percentage of GDP, moreover, federal funding for R&D has been declining since the mid-1960s.⁹⁰ The result is that the United States is no longer seen as the uncontested leader in science and engineering.⁹¹ Federal funding for R&D plays an important role in basic research, and hence in the development of new technologies that drive the U.S. economy. Reversing some of that decline in R&D should be a part of any plan to secure U.S. supply chains going forward.

Better Integrating Trade Policy into Supply Chains

Trade policy has an important role in securing supply chains. Not all production will be returned to the United States as trade has been moving towards more regional production since prior to the pandemic. Additionally, doing so would create its own risks for supply chains, as the winter storm in Texas demonstrates. But there have also been clear failures of policy in international supply chains that need to be addressed in order to restore confidence. South Korea's experience with Japan's trade restrictions demonstrates why robust trade rules are necessary, even among allies, to secure the flow of critical goods.

The WHO, European governments, and other governments have called for a new treaty to ensure that in future pandemics there is equitable access to vaccines, medicines, and diagnostics,⁹² a challenge in the current pandemic with governments placing export controls on critical items. Whether it is embracing a new treaty to deal with a future pandemic, or a version of the Trump administration's clean networks approach, securing supply chains requires working with allies and partners to establish rules and regulations that ensure that critical goods flow in a future pandemic or that critical technologies remain secure. The Biden administration's 100 day supply chain review's recommendations on trade enforcement should only be the beginning of discussions on trade policy's role in securing supply chains.

Utilize Technology to Improve Supply Chains

While the Biden administration may want to return supply chains to the United States, it should also consider using technology to improve the robustness of supply chains. Artificial intelligence and cloud-based services can help firms to better monitor and redirect supplies during future disruptions, while additive manufacturing and smart factories could allow for

smaller and more flexible productions facilities.⁹³ Technology can help in other ways. One of the lessons from the pandemic has been the need to social distance and undertake proper procedures to prevent the spread of COVID-19 in production facilities. Automation would help to remove some of the human element from the production process, but it would also run counter to the administration's goal of supporting job creation with the return of manufacturing jobs.

As the United States examines its supply chains and considers next steps on how to secure them, it will also need to avoid fighting the last battle. The Strategic National Stockpile was unprepared to handle the pandemic because of a focus that remained on the threat from terrorist attacks.⁹⁴ If the United States becomes too focused on the pandemic itself or certain industries, Washington might again find itself unprepared for the challenge it will face. Instead of looking to secure supply chains through an emphasis on reshoring, it should be looking to increase flexibility so as to provide more options for firms and policy makers during the next crisis.

Despite the concerns about the pandemic, it is national security and economic concerns rooted in China's rise that are driving U.S. views on supply chains and technology. The Trump administration may have initiated a more assertive stance towards China, but the Biden administration has so far shown few indications of adjusting many of the policies the Trump administration put in place. With policy being driven by concerns over U.S. supply chains in China, it needs to focus more on international cooperation. There is a tension in a policy designed to return supply chains to the United States while trying to increase cooperation with allies and partners. China is already the top trading partner for many countries, and a policy that is overly focused on the United States risks increasing China's influence internationally, at worst, and reducing economic growth and access to goods for developing countries, at best.

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The Pandemic's Impact on Supply Chains from China and their Evolution: The View from South Korea

Jin Kyo Suh

Today's global economy is highly interconnected and interdependent. Supply chains across the world are finely tuned to deliver parts just when they are needed, so that companies and industries do not need to waste money on maintaining big warehouses. The economic system runs with remarkable efficiency, and companies are able to keep inventory to a minimum. However, firms have started rethinking their supply chains in response to changing labor costs, advances in automation, rising protectionism, and external shocks, such as natural disasters. In particular, the COVID-19 pandemic has revealed the structural fragility of current global supply chains and has forced many global enterprises to fundamentally reconsider their approach to global manufacturing and sourcing. The crisis has also highlighted geopolitical tensions, trade restrictions, and nationalist politics aimed at promoting a country's domestic industries, which are likely to continue reshaping the global business landscape. As a consequence, most global enterprises are going to be under greater political and competitive pressure to increase their domestic production, grow employment in their home countries, and rethink their use of lean manufacturing strategies that involve minimizing the amount of inventory held in their global supply chains.

Previously, supply chains were designed to keep costs low and inventories lean. However, supply chains are now being reworked to reduce the risks of future disruption even if doing so means incurring additional costs. Because China is decidedly the world's largest goods exporter and is also currently mired in a trade conflict with the United States, supply chains going through China may be among the most vulnerable to future disruptions. Hyundai, South Korea's largest automaker, temporarily stopped production lines at its factories in South Korea because of shortages of Chinese parts. The Hyundai shutdown—encompassing the first factory lines to be idled outside China—could foreshadow considerably more serious disruptions in the complex networks that supply automakers with essential components and materials (Automakers are especially susceptible to interruptions in the flow of goods because the industry is global, and cars are complex products with a myriad of precision parts).

Recognizing the risk that dependency on China poses to national industries, some governments have offered manufacturers incentives to exit China and ease the pain of diversification. For example, Japan put \$2.2 billion of its COVID-19 economic stimulus package into supporting its manufacturers moving toward shifting production outside of China. There was also mounting public pressure in some countries, such as the United States, to move essential production of pharmaceuticals and medical equipment out of China and closer to home.

It is, however, not that simple to reduce global supply chain reliance on China: the nation still retains not only considerable comparative advantages in many areas (e.g. electronics, machinery, and equipment manufacturing), but also enormous purchasing power as the world's second largest market. Even those companies that have diversified production are finding it hard to break free of China's pervasive influence. Anticipating a

rise in tariffs due to the U.S.-China trade conflict, videogame producer Nintendo shifted the manufacturing of its blockbuster gaming console called Switch to Vietnam in 2019. There was, however, a shortage of Switch consoles in stores in early 2020 due to a lack of essential components flowing to the company's Vietnamese factories, as COVID-19 paused production of component parts by Chinese suppliers. In addition, most businesses have developed complex interdependencies, resulting in a deep tiering of supply chains. Many manufacturers depend on first-tier suppliers which, in turn, rely on a second-tier, and so on. Therefore, relocating factories or replacing all Chinese suppliers would be infeasible in the short-term.

This chapter reviews the impact of supply chain disruption caused by COVID-19 on the South Korean economy and examines the future of regional supply chains centered on China. The rest of the paper is structured as follows. How supply chain disruption caused by COVID-19 will affect the South Korean economy, including trade, is discussed in Section 2. According to the latest national GDP report by the Bank of Korea (BOK), South Korea is going to see a mere 1 percent GDP contraction for 2020, the second-best performance among major economies behind only China. Reasons for why the South Korean economy was not seriously affected by the pandemic are also discussed in Section 2. Section 3 highlights the difficulty of reducing global supply chain reliance on China. China is likely to remain a key player, and the world must look at the reality that global supply chains are highly interconnected with China and that disconnecting from China's supply chain is not an easy economic task for many multinational companies. The final section offers a few concluding remarks on deepening regionalism specifically in Asia, including policy implications for South Korea.

The Pandemic's Impact on the Korean Economy

The COVID-19 pandemic proved to be an unprecedented shock to the world's economies, and South Korea's economy was no exception. However, it has successfully limited the damage to its economy from the crisis, through swift and effective measures to contain the virus and protect households and business. Until the second quarter of 2020, the Korean economy was quickly contracting as consumption and exports decreased. Industrial production dropped by 1.2 percent in the first quarter of 2020 compared with the fourth quarter of 2019, and severely fell by 3.5 percent in the second quarter. The service sector was also hurt critically in the first quarter, experiencing a drop of 3.0 percent, particularly among the food and accommodation service sectors (Table 1). Exports also began to decline rapidly in the first quarter of 2020. In April 2020, exports fell by 24.3 percent, the largest single month drop since the global financial crisis in 2008. For the second quarter, exports of goods and services declined 16.1 percent from the first quarter. As a result, real GDP decreased by 1.3 percent in the first quarter of 2020 compared to the previous quarter, and it continued to decline by 3.2 percent in the second quarter (Table 2).

Table 1. Growth Rates of Industrial Production (% change over previous quarter)					
	2020				
	Q1	Q2	Q3	Q4	Year
All Industry	-1.2	-3.5	2.6	2.0	-0.8
Mining, Manufacturing and Electricity & Gas	0.1	-7.1	5.7	3.7	0.4
Service Industry	-3.0	-1.5	1.9	1.2	-2.0

Source: Data from Statistics Korea, <https://kostat.go.kr/portal/eng/index.action>.

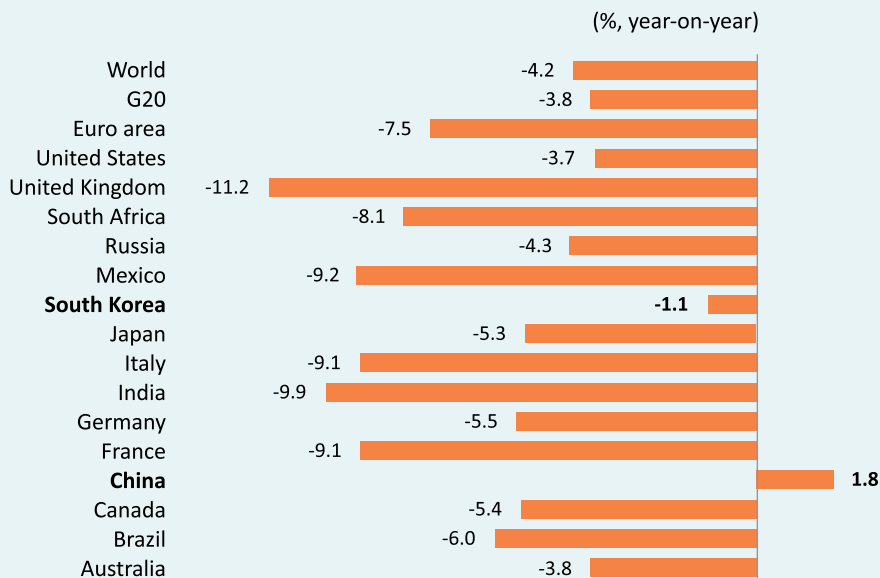
Table 2. Growth Rates of Real GDP, Trade, and GNI (% change over previous quarter)								
	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
GDP	-0.3	1.0	0.4	1.3	-1.3	-3.2	2.1	1.2
Total Exports	-3.1	1.9	4.5	0.6	-1.4	-16.1	16.0	5.4
<i>Goods</i>	-3.7	1.1	5.2	1.0	-1.0	-15.9	18.4	5.1
<i>Services</i>	1.0	7.5	-0.2	-2.5	-3.2	-17.4	-0.2	8.0
GNI	0.1	-0.2	0.4	0.6	-0.8	-2.2	2.4	1.4

Source: Data from Bank of Korea (2021), Gross National Income.

However, South Korea's economy returned to growth in the third quarter of 2020, recovering from its sharpest contraction in over a decade, as the government pushed through stimulus measures and major trading partners eased coronavirus restrictions. Industrial production grew 2.6 percent and real GDP advanced 2.1 percent in the third quarter from the previous quarter owing to a 16.0 percent turnaround in exports, which account for about half of GDP (Tables 1 and 2). Despite global demand being battered in the first half of 2020 and a weak economic outlook for many big economies amid a second wave of coronavirus infections, South Korea's exports have been revived. Leading tech manufacturers, including Samsung, LG, and SK, all benefited from robust demand, stemming from greater demand for connectivity during the pandemic, China's strong economic recovery, and a surge in demand from Huawei ahead of the latest U.S. sanctions against the Shenzhen-based telecom company. Recently, the BOK reported that the South Korean economy contracted by 1 percent in 2020. While this would be the country's worst performance since 1998, it would still make South Korea one of the best-performing economies in 2020 (Figure 1).

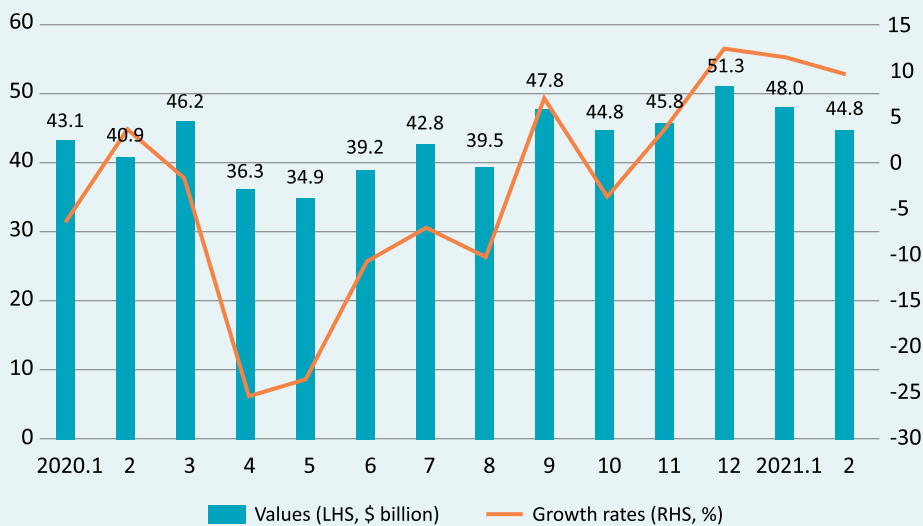
In February 2021, South Korea's exports increased by 9.5 percent compared with the same month in 2020. The main reason for the strong export performance in February is that the export unit price of Korea's flagship items such as automobiles, semiconductors, displays, and home appliances increased due to the recent global recovery, after consecutive months of growth in November (4.1 percent), December (12.6 percent), and January (11.4 percent) (Figure 2).

Figure 1. Real GDP Growth of Major Economies



Source: OECD (2020), OECD Economic Outlook, December 2020,
<https://www.oecd.org/economic-outlook/>.

Figure 2. South Korea's Monthly Export Values and Growth Rates



Source: Korea Customs Service, <https://www.customs.go.kr/>.

There could be several reasons why South Korea's economy continued its rebound from a pandemic slump, with exports and manufacturing activity rising in the third quarter of 2020 despite the virus resurgence. The main reason is the country's efficacious handling of the outbreak. The government never implemented a full lockdown in response to COVID-19 but instead decided to fight the virus aggressively through an epidemiological approach with wide diagnostic testing and isolation of contacts, while encouraging cooperation to adhere to social distancing based on trust in the authorities. Korea has won international praise for its swift deployment of mass testing, high-tech contact tracing, and tough quarantine rules to combat the virus. The Korean government already had valuable experience during the spread of the Middle East Respiratory Syndrome (MERS) in 2015 and was able to draw on this in their handling of COVID-19.¹ South Korea was able to contain the epidemic more efficiently than other nations and thus a strict national lockdown was largely unnecessary, which in turn meant less economic dislocation from shuttered factories, closed restaurants, and the like.

Even though South Korea was not hit as hard as most countries, it quickly launched a fairly aggressive fiscal response, pouring around \$12.2 billion, or about 0.7 percent of the GDP, into the pockets of businesses and citizens in early spring. This was not as big a percentage as that deployed by countries such as Germany, which launched a stimulus package worth around 4 percent of GDP. However, because Korea provided support quickly, it helped keep consumption levels up. South Korea is also continuing to provide support in the form of loans and guarantees totaling about \$238 billion.² Moreover, its fiscal response carried more "bang-for-the buck" than in other places. First, more businesses were open to spending the aforementioned cash payouts, which translated to consumers spending more and saving less of their bailout checks. Indeed, a significant portion of the money distributed in the first three tranches of stimulus payments was spent by consumers. Second, some provinces used supplemental creative solutions to ensure that government payouts would be recycled into the economy and help boost consumption.³

However, as in many countries, deficit hawks are worried about the sustainability of big fiscal stimulus packages that can ameliorate short-term pain, but only at the cost of long-term debt accumulation. A series of policies to overcome the pandemic has led to rapidly mounting debts in the private and government sectors, necessitating preemptive measures to secure financial soundness from a mid-term perspective. Given the long-term demographic changes and decline in potential growth, efforts are needed to control the pace at which government debt is growing and to secure financial sustainability.⁴

The Future of Regional Supply Chains Centered on China

The pandemic has affected many businesses around the world. From national lockdowns to closed borders, COVID-19 has disrupted economies, placed major strains on global supply chains, and demonstrated how vulnerable the modern supply chain can be to disruptions. There is a growing need and pressure for companies to build "resilient" supply chains. Hence, it is becoming increasingly apparent, considering news of shortages worldwide,

that the issue of unsteady global supply chains needs to be resolved in order to not only weather the current pandemic, but also to prepare for potential disruptions of a similar scale in the future.

Many companies were forced to look for alternatives when China, known as “the world’s factory,” shut down its plants and factories during COVID-19. The supply chains of many companies are reliant on China’s ecosystem. Businesses have learned this the hard way by heavily relying on China’s economy through this pandemic. In response, the CEOs of many companies requested that their supply chain teams find other sources that are wholly independent of China. In line with this message, there is much evidence that global companies are cooling on China. According to *Financial Times*, in the latest annual survey conducted by the American Chamber of Commerce in China, only 28 percent of member companies said their investment in China would increase in 2020, which is down from 48 percent in 2019, around 60 percent in 2018, and 81 percent in 2016.⁵ A Gartner, Inc. survey of 260 global supply chain leaders in February and March 2020 revealed that 33 percent had moved sourcing and manufacturing activities out of China or plan to do so by 2023.⁶

There was also increasing pressure from investors and government bodies who discouraged overreliance on any one source and called for decoupling from China. Trump’s push to “decouple” the U.S. economy from China is typical of such political pressure. Based on an article from Oxford Business Group,⁷ COVID-19 has intensified the trend of U.S. companies trying to realign supply chains closer to home in countries such as Mexico, while also diversifying them to mitigate potential risks by shifting production to ASEAN (Association of Southeast Asian Nations), such as Vietnam, Indonesia, Thailand, and Malaysia. There is a report that large Asian companies such as Honda and Samsung have already started to mitigate risks by expanding their sources beyond solely China.

However, alternative views suggest that these diversification efforts may take a long time or may be infeasible for certain companies. In particular, there is an argument that China remains popular as a manufacturing location due to its huge and expanding domestic market, competent labor, entrenched supplier ecosystem, as well as the government’s continued assistance towards manufacturers and its establishment of dependable infrastructure. The global technology and consumer electronics sectors are especially reliant on China’s infrastructure and specialized labor pool, neither of which will be easy to replicate.

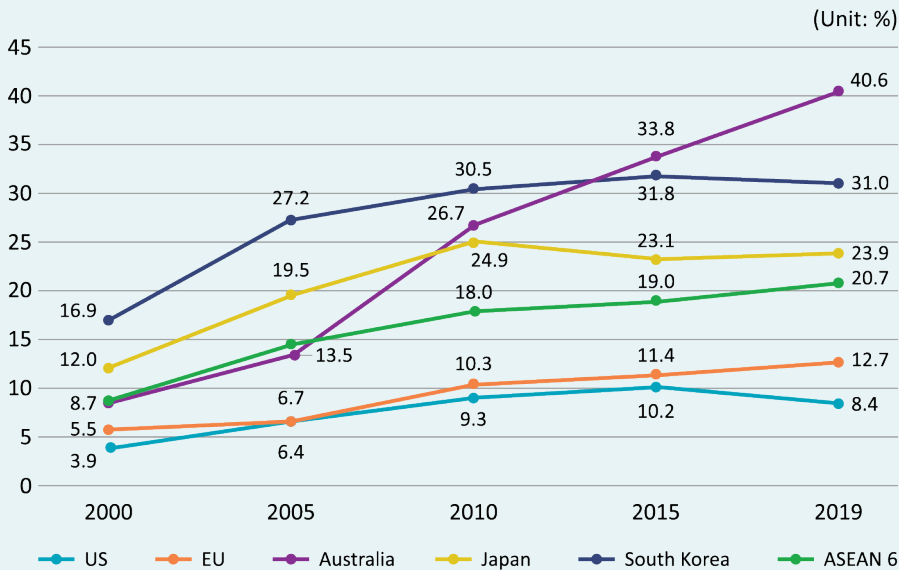
The Chinese government is already mobilizing resources to convince producers of China’s unique merits as a manufacturing location. For example, Zhengzhou, within Henan Province, has appointed officials to support Apple’s partner Foxconn in mitigating the disruptions caused by COVID-19, while the Ministry of Finance is increasing credit support to the manufacturing sector. Further, the Chinese government is likely to channel stimulus efforts to develop the country’s high-tech manufacturing infrastructure, moving away from its low-value manufacturing base and accelerating its vision for a technology-driven service economy.⁸ Manufacturers are cognizant of China’s potential as a major consumer market for iPhones today and for advanced technologies such as robotics, autonomous vehicles, and smart devices in the near future. A poll by the Beijing-based U.S. Chamber of Commerce conducted in March 2020 shows that U.S. businesses are still bullish on Chinese consumers, despite the impact of the pandemic.⁹

Deep Relations in Trade Between China and Major Countries

China and major economies such as the European Union, United States, Australia, and Japan, developed important, rapidly growing trade and investment relations during the last two decades. The importance of trade with China is particularly remarkable for Australia, Japan, and South Korea as well as ASEAN countries. Figure 3 and Table 3 below show the dominance of China as an export or import market of major countries. China is Australia's biggest trading partner for both exports and imports of goods. More than 40 percent of all goods exported in 2019 were toward China, while 25.9 percent of all goods imported were from China. China's share (including Hong Kong) in Australia's total exports rapidly rose to 40.6 percent in 2019 from 8.7 percent in 2000, while in imports it increased to 25.9 percent from 8.9 percent during the same period.

Both South Korea and Japan are increasingly reliant on China for their big export market. In 2019, China's share of Japan's total exports was about 24 percent and China's share of South Korea's exports was 31 percent. Japan's imports from China account for about 24 percent of its total, similar to South Korea. China also accounts for more than 20 percent of the ASEAN 6 core countries' total exports and imports. By comparison, China accounts for 12.7 percent of the EU's total exports of goods and 21.0 percent of its total imports (Figure 3), and U.S. exports to China account for 8.4 percent of overall exports in 2019, indicating relatively low reliance on China. However, U.S. imports from China account for 18.6 percent of overall imports in 2019, slightly lower than other countries analyzed here (Table 3).

Figure 3. China's Share of Total Exports Among Select Major Countries (2000-2019)



Note: ASEAN 6 refers to Indonesia, Malaysia, Singapore, Thailand, Philippines, and Vietnam. China includes Hong Kong.

Source: UN COMTRADE data

Table 3. China's Share of Total Imports Among Major Countries (2000-2019, %)					
	2000	2005	2010	2015	2019
United States	9.2	15.5	19.7	22.1	18.6
European Union	8.7	14.1	19.4	21.1	21.0
Australia	8.9	14.7	19.4	23.6	25.9
Japan	15.0	21.3	22.3	26.0	23.8
India	4.5	8.7	14.0	17.3	17.9
South Korea	8.8	15.6	17.3	21.0	21.7
ASEAN 6	7.4	12.5	14.7	20.6	22.9

Note: ASEAN 6 means Indonesia, Malaysia, Singapore, Thailand, Philippines, and Vietnam. China includes Hong Kong.

Source: UN COMTRADE data

A close look at the trade level between China and other major countries reveals how deep cross-country integration is, with respect to China. In general, the number of manufactured goods traded is about 4,000~4,500 on the basis of HS six-digits.¹⁰ As shown in Table 4, the total number of manufactured goods imported in the EU is 4,427 and for the U.S. it is 4,373 (The second column of Table 4).

Analyzing trade with China not just by category, but also by volume is also revealing of the scope of cross-country integration. To do this, China's share of total imports by product and number of products in which imports from China ranks first among total imports of that product should be examined. For example, the U.S. imported automatic data processing machines and units (HS 847130) from almost 100 countries, including China. The total import value was \$40.9 billion in 2019 and the value from China was \$37.9 billion, so China ranked first in the U.S. import market for that product (HS 847130).

Table 4 and Table 5 show how major countries are dependent on China for a large number of the aforementioned products, showing the level of reliance on China in terms of the number of products. For the European Union, the number of manufactured goods whose imports from China ranked first in 2019 is 1,788, implying that about 40 percent of European Union's total imports relied on China in terms of number of products (Table 4). Although relatively small compared with other countries, the same indicator stands at 1,349 for the United States, implying that the reliance on China for imports in terms of number of products is about 31 percent. For most Southeast Asian countries, as well as Japan, Korea, and India, the number of manufactured goods for which imports from China ranked first is roughly 2,000, which means that the level of reliance on China is greater than 40 percent.

Table 4. The Level of Reliance on China: Major Economies (2019)

	The Number of Manufactured Goods Imported in 2019 (Based on H.S. 6 digit) (A)	The Number of Manufactured Goods Imported Whose Imports From China Ranks First Among Total Imports in 2019 (B)	(B/A) (%)
European Union	4,427	1,788	40.4
United States	4,373	1,349	30.8
Australia	4,154	1,765	42.5
India	4,293	2,015	46.9
Japan	4,225	1,932	45.7
Taiwan	4,233	1,677	39.6
Korea	4,351	1,985	45.6
ASEAN 6	4,202	1,906	45.4

Note: ASEAN 6 refers to Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam. Figures of ASEAN 6 imply the average value of six countries above.

Source: Author's calculation based on UN COMTRADE data

Table 5 shows a much clearer picture of how severely major countries are dependent on the imports from China. We calculate the number of products of which import values from China are greater than 50 percent, 60 percent, and 80 percent of total imports of the product concerned, and then check the ratio of those products to the total number of manufactured goods imported. As shown in Table 5, China's share of total imports is greater or equal than 50 percent for 990 out of 4,427 products for the EU, 22.4 percent (parentheses in the second column of Table 5).

For Australia, Japan, South Korea, India, Taiwan, and ASEAN 6, the frequency when X is 60 percent is in general higher than 20 percent (19.7 percent for Australia), which implies that those countries heavily rely on Chinese imports. The level of U.S. reliance on China is the lowest among countries analyzed here.

Table 5. The Number of Goods of which Imports from China is Greater or Equal than 50%, 60%, 80% of Total Imports of the Product Concerned and its Ratio (2019)

	EU	U.S.	Australia	India	Japan	Taiwan	Korea	ASEAN 6
X ≥ 50%	990 (22.4)	695 (15.9)	1,104 (26.6)	1,214 (28.3)	1,277 (30.2)	1,154 (27.3)	1,320 (30.6)	1,225 (29.1)
X ≥ 60%	707 (16.0)	492 (11.3)	817 (19.7)	931 (21.7)	956 (22.6)	853 (20.2)	1,032 (23.7)	938 (22.3)
X ≥ 80%	261 (5.9)	198 (4.5)	349 (8.4)	441 (10.3)	423 (10.0)	410 (9.7)	501 (11.5)	460 (10.9)

Note: X implies China's share (value term) of total imports of the product concerned. Parentheses means the ratio of the products to the total of trading manufactured goods. ASEAN 6 means Indonesia, Malaysia, Singapore, Philippines, Thailand, and Vietnam.

Data: Author's calculation based on UN COMTRADE data

Complexity of Modern Supply Chains

Complexity of current supply chains can be an important factor contributing to the difficulty of relocating global companies' supply sourcing out of China. Modern supply chains have been built up over generations, through complex processes and interactions among enormous sub-suppliers. Thus, untangling supply chains is a complex task. Many ICT companies can have hundreds of junior tier suppliers for a single product and they often do not know who their tier-2, tier-3, or tier-4 suppliers are. Companies find that some of their tier-1 suppliers do not want to share who their suppliers are for reasons that can seem unfounded. Indeed, some tier-1 suppliers withhold this information by claiming that there are proprietary or regulatory reasons for doing so, which strikes most companies as not credible.

On the other hand, it is difficult for original equipment manufacturers (OEMs) to tell a company where every single component of a product is sourced from and at what location because these more junior tier suppliers are frequently changed. For many high volume "commercial off the shelf" (COTS) products, the ability to source components from multiple suppliers is essential for managing cost and agility. To that end, many companies also try to reduce risk by avoiding custom designs that require specialized components and, therefore, vendors. In most cases, however, companies desire enhanced communication and information-sharing with their vendors and suppliers as they can often provide assistance for supply chain issues but need the necessary insight in order to help.

The complexity of a company's supply chain does not necessarily constitute a weakness, if it provides redundancies and flexibility. However, complex and vast networks can make it difficult to identify vulnerabilities and interdependencies within supply chains. Indeed, a large multinational organization can have hundreds of tier-1 suppliers from which it purchases components directly. In turn, each of those tier-1 suppliers relies on hundreds of tier-2 suppliers. In the end, the whole supplier network for a large company can include tens of thousands of companies around the world when the deepest tiers are included in the network. Importantly, communications equipment companies are one of the sub-industries that have the largest number of tier-1 suppliers, with 2.2 times the industry median.

Therefore, current supply chains are so interconnected that the economic case for making large- scale changes in their physical locations is very limited. In addition, value chains often span thousands of interconnected companies, and their configurations reflect specialization, access to consumer markets around the world, long-standing relationships, and economies of scale. Relocations can be significantly restricted by the characteristics of value chains, that is, whether the value chain is capital- or knowledge-intensive or tied to geology and natural resources. All of these factors make relocation less feasible. It is, thus, clear that more resilience results in additional structural costs to the network.

China's Attractiveness as Future Huge Consumer Market and Matured Production Ecosystems for High-tech Goods

According to a recent Morgan Stanley report, Chinese consumer spending is predicted to more than double by 2030, with an emphasis on services rather than goods. By 2030, China's private consumption is set to reach \$12.7 trillion, about the same amount that American consumers currently spend. The report states that this expected growth comes from greater government emphasis on policies to support the domestic Chinese economy, increases in household income, further growth of urban areas, changes in technology, and demographic shifts. A report published by McKinsey & Company in November of 2020, similar to the Morgan Stanley report, makes a very positive prediction on the future growth of China. The report states,

While some companies might benefit from diversifying risks in their supply chains, this does not mean that companies and investors will rush to leave China overnight. China has contributed about 25 percent of global GDP growth over the past two decades, and the latest International Monetary Fund (IMF) forecast suggests that even as 90 percent of the world experiences negative GDP growth in 2020, China's economy may still expand by 1.2 percent. As such, China is likely to remain an important growth engine for the world, and the extensive supply chains that have evolved to serve domestic demand will continue to be needed. Moreover, few countries possess the mature and highly scaled production ecosystems that exist in China.¹¹

Over the last two decades, China has successfully increased the role that consumption plays in its economy, which is now the driving force behind economic growth. Indeed, China's share of global consumption growth rose from 9 percent in the 2000-2005 period to 23 percent in 2013-2018. China's consumption power is also pronounced in the luxury segment, where Chinese consumers accounted for 32 percent of global consumption in 2018 and are expected to account for 40 percent by 2025.¹²

China's technology sector has also seen remarkable growth in the past few decades. Its digital economy is now worth around 30 percent of its GDP. Previously, the Chinese government would protect companies such as Alibaba, Baidu, Tencent in their infancy. Chinese strategy is now one of innovation, being promoted through "Made in China 2025," a state-led industrial policy which strives to secure China's global dominance in high-tech manufacturing. It is also investing massively in R&D and education and has experienced venture capital investment in its startups. As a result, China has increased its competitiveness across multiple sectors.

China now excels in key technologies and sectors such as AI (Artificial Intelligence) and 5G.¹³ This has increased China's potential to expand its leverage on the international system. Moreover, China was recently set to release a new ambitious 15-year industrial development plan called "China Standards 2035" with the aim of influencing how the next generation of technologies will work. The plan is widely seen as the follow-up plan to "Made in China 2025."

Finally, the recent message from 158 senior business executives working at American, Chinese, European, Japanese, and South Korean global high-tech firms says much about the future of supply chains. As the U.S. and China compete for technological supremacy in advanced semiconductor design and manufacturing, software, and other core technologies, global high-tech companies do not plan to pick sides. Rather, they pragmatically aim to compete in both Chinese and U.S. ecosystems regardless of the extra cost and complexity involved.¹⁴

As manufacturers examine their supply chains in a post-COVID-19 era, the imperative for greater supply chain resilience versus the attractiveness of China as a tech-forward consumer market is the defining tension that they will need to navigate. The outcome is unlikely to be a clean break from China for most. Lower-value sectors or labor-intensive sectors, such as apparel, are most likely to expedite diversification. Indeed, many garment manufacturers have already diversified from China to Southeast Asia and Ethiopia on the basis of rising labor costs. It will be the higher-value technology and consumer electronics sectors that will find it hardest to turn away from China's distinctive allure.

Conclusion

The typical approach to supply chain management emphasizes the need to strike a balance between efficiency and resiliency. While these concepts are often at odds with one another, ideal supply chains are those that find the equilibrium between the two. Moreover, companies need to seamlessly integrate supply chains with many different components and a large, human workforce supporting and serving as its backbone. Increased competition and often-compressed profit margins have driven supply chain managers to emphasize cost reduction, "just-in-time" deliverables (JIT), and days of supply inventory management.

JIT allows manufacturing companies to cut costs by reducing the amount of goods and materials a firm needs to hold in stock. Production should be for specific customer orders and the production cycle commences only after a customer has placed an order with the producer, thereby eliminating the need to hold a large inventory.

The COVID-19 pandemic proved that we need more resilient supply chains. In particular, the global spread of the coronavirus has sparked a definite call to diversify supply chains away from China. However, the country's singularity as both a manufacturing location and a huge future consumer market makes it hard to find alternatives in the short run. Thus, it is highly likely that relocating factories or replacing all Chinese suppliers will be infeasible in the short-term.

However, in the long-term it is plausible that many companies would consider shifting manufacturing out of China or diversifying suppliers because of China's steadily rising labor and other costs, as well as because of the greater uncertainty in a single source of production or the concentration of production centers.¹⁵ But what are the alternatives to China for businesses hoping to diversify their operations into other parts of the world? Low-cost economies in Southeast Asia could provide benefits given their proximity to China and existing ties to the global supply chain infrastructure. For example, Vietnam could be a

preferred choice, thanks to its strategic location along regional shipping routes, low labor costs, and young and growing workforce. In this sense, countries would move towards a “China Plus One” strategy, which focuses on diversification by having a factory in China and another in a developing country in the Southeast Asia region, such as Thailand or Vietnam. The China Plus One strategy could also generate growth opportunities for Southeast Asian developing countries.

Through this perspective, regional economic integrations in Asia would be rapidly growing in the post-COVID-19 pandemic era, strengthening Asian regionalism. Major global corporations could rapidly shift their supply chains out of China to other Asian countries with greater beneficial effects for ASEAN developing economies. This will lead to deeper economic integration between China and ASEAN. Further, the effectuation of RCEP will also contribute to the strengthening of new regional supply chains that center on China, and also include Japan and South Korea.

Then, what does such an evolution of Asian supply chains in the post COVID-19 imply for South Korea’s trade policies? It is unlikely that within a couple of years, South Korea will diversify and broaden its current supply source, in which China plays an important role as a world factory. China has been South Korea’s biggest trading partner for exports since 2003. China’s share (including Hong Kong) of South Korea’s total exports was almost 32 percent in 2020. The RCEP 14 countries (excluding China) are also important to South Korea because South Korea’s exports to that area amounts to 27 percent of its total exports. At the same time, South Korea needs to fully recognize the potential of China as a future enormous consumer market.

In the long term, South Korea, however, needs to reduce its dependence on China as a production hub. There is still a lot of uncertainty surrounding the U.S.-China trade war, despite the Phase One trade deal that was signed in January 2020. The U.S. tariffs on Chinese products have remained in place and the tech competition between the U.S. and China continues, even after the new Biden administration has taken office. Thus, South Korea needs to consider a China Plus One strategy of spreading production between China and a Southeast Asian country in the long term.

Additionally, South Korea needs to recognize that trade based on labor-cost arbitrage is continuously declining. According to a McKinsey report in 2019,¹⁶ today only 18 percent of goods trade is based on labor-cost arbitrage. Moreover, in all value chains, capitalized spending on R&D and intangible assets such as ideas, software, and intellectual property (IP) is growing as a share of revenue. The growing emphasis on knowledge and intangibles favors countries with highly skilled labor forces, strong innovation and R&D capabilities, and robust intellectual protections (e.g. in general, developed countries such as the U.S. and EU). Thus, South Korea should keep deep relations with the U.S. and the EU.

In the future, the distinction between goods and services will continue to blur as manufacturers increasingly introduce new types of leasing, subscription, and other “as a service” business models. Also, automation and AI will transform labor-intensive manufacturing into capital-intensive manufacturing. Considering its reliance on China in goods trade and the importance of knowledge and digital technologies in future trade, South Korea has to play an essential role in creating globalization 2.0 or a resilient globalization through bridging three regional supply chains: the Asian supply chains, the Euro supply

chains (centered on Germany), and the North American supply chains (centered on the U.S.). The China Plus One strategy is just a regional concept and is not enough to act as a link between South Korea and the rest of the world's economies.

Endnotes

- ¹ In responding to COVID-19, South Korea moved quickly to temporarily allow pharmaceutical firms and manufacturers to produce or import unapproved diagnostic products and eased the regulatory process so that private and public medical institutions could use them. The number of new tests started to mount in mid-February 2020. At its peak, about 12,000 to 18,000 tests were conducted every day. Massive testing helped avoid a full lockdown. Instead, the government strongly recommended both strict self-quarantine for travelers and social distancing as containment measures. The enhanced social distancing campaign to stay home and work from home lasted until mid-April 2020.
- ² This figure includes four supplementary budgets of 2020, which amounts to about \$57 billion.
- ³ Some provinces already have local digital currencies and used this for the relief payments. For example, Gyeonggi-do Province, which surrounds Seoul, additionally provided its own coronavirus relief of 200,000 won per person. But the money has a restriction that it should be used in the province within three months of delivery, supporting local business in the region.
- ⁴ The finance ministry recently announced introduction of new fiscal rules to prevent deficit spending by managing government debt to stay under 60 percent of GDP or consolidated fiscal deficit to not exceed 3 percent of GDP from 2025. However, the government's consolidated fiscal deficit ratio already hit 3.7 percent of 2019 GDP by August of 2020. Although the national debt of South Korea amounted to 46 percent of GDP in Q3 in 2020, the South Korean government needs to still put more efforts into controlling the pace of fiscal debt and securing financial sustainability because of its super-aging trend and lowest total fertility rate. South Korea is projected to be one of eight super-aged societies in the world by 2024. A super-aged, also known as post-aged, society refers to a nation whose elderly population accounts for 20 percent or more of the entire population. Its total fertility rate was 0.84 in 2020, the lowest rate across countries in the world.
- ⁵ Kathrin Hille, "The great uncoupling: one supply chain for China, one for everywhere else," *Financial Times*, October 6 2020, <https://www.ft.com/content/40ebd786-a576-4dc2-ad38-b97f796b72a0>.
- ⁶ Sarah Hippold, "Gartner Survey Reveals 33% of Supply Chain Leaders Moved Business Out of China or Plan to by 2023," Gartner, press release, June 24, 2020, <https://www.gartner.com/en/newsroom/press-releases/2020-06-24-gartner-survey-reveals-33-percent-of-supply-chain-leaders-moved-business-out-of-china-or-plan-to-by-2023>.

- ⁷ “The Impact of COVID-19 on Global Supply Chains,” Oxford Business Group, April 24, 2020, <https://oxfordbusinessgroup.com/news/impact-covid-19-global-supply-chains>.
- ⁸ Recently, China’s Ministry of Commerce announced that Beijing would promote initiatives that attract foreign direct investment in high-tech sectors as a means to strengthen its supply chains, suggesting a range of moves including tax concessions and the expansion of free trade zones. Chinese officials often stress Beijing’s goal of becoming technologically self-reliant as well as Xi Jinping’s dual circulation strategy, which ties a planned increase in domestic demand and consumption to support of China’s export-oriented economy.
- ⁹ “Supply Chains Strategies Under the Impact of COVID-19 of Large American Companies Operating in China,” AmCham China, April 2020, <https://www.pwccn.com/en/consulting/supply-chain-strategies-under-impact-covid-19-large-american-companies-operating-china-1.pdf>.
- ¹⁰ The Harmonized System is an international nomenclature for the classification of products. It allows countries to classify traded goods on a common basis or by customs purposes. At the international level, the Harmonized System (HS) for classifying goods is a six-digit code system. The HS comprises approximately 5,300 product descriptions that appear as headings and subheadings, arranged in 99 chapters. (HS01~99). Up to the HS 6 digit level, all countries classify products in the same way. Here, agricultural products and fisheries (H.S. 01~24) were excluded in order to focus on the trade of manufactured goods.
- ¹¹ “China consumer report 2021 - Understanding Chinese Consumers: Growth Engine of the World,” McKinsey & Company, November 2020, <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/china%20still%20the%20worlds%20growth%20engine%20after%20covid%2019/mckinsey%20china%20consumer%20report%202021.pdf>.
- ¹² “China Luxury 2019 Report: How young Chinese consumers are reshaping global luxury,” McKinsey & Company, April 2019, <https://www.mckinsey.com/~media/mckinsey/featured%20insights/china/how%20young%20chinese%20consumers%20are%20reshaping%20global%20luxury/mckinsey-china-luxury-report-2019-how-young-chinese-consumers-are-reshaping-global-luxury.ashx>.
- ¹³ When we consider granted and active patent families, in terms of the number of 5G patents, Chinese firm Huawei takes first place in a ranking compiled by IPIytics. See Katharina Buchholz, “Who is Leading the 5G Patent Race?” Statista, February 25, 2021, <https://www.statista.com/chart/20095/companies-with-most-5g-patent-families-and-patent-families-applications/>.

¹⁴ See Christopher A. Thomas and Xander Wu, "How global tech executives view U.S.-China tech competition," Brookings, February 25, 2021, <https://www.brookings.edu/techstream/how-global-tech-executives-view-u-s-china-tech-competition/>.

¹⁵ Though it will not be easy to shift an entire center of operations from China, tech giants Apple, Microsoft, and Google have already stated their desire to begin the transition. There are other notable companies that are engaged in a long-term trend of shifting to Vietnam-based production. Samsung, Intel, Nike, and Adidas are among them. In particular, U.S. dependence on China for key medicines and supplies and other essential goods for national security could be significantly reduced due to the strong political will of the new Biden administration.

¹⁶ "Globalization in Transition: The Future of Trade and Value Chains," McKinsey & Company, January 2019, <https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Innovation/Globalization%20in%20transition%20The%20future%20of%20trade%20and%20value%20chains/MGI-Globalization%20in%20transition-The-future-of-trade-and-value-chains-Full-report.pdf>.

The Big Squeeze: Japanese Supply Chains and Great Power Competition

Mireya Solís¹

Japan led, and was transformed, by the global supply chain revolution. Facing growing protectionism in industrialized markets and reeling from sharp yen appreciation in the aftermath of the 1985 Plaza Accord, Japanese firms responded with a drastic increase in their overseas investment activities. In so doing, many of these companies spearheaded the movement towards the fragmentation of production across national boundaries that sought efficiency gains by pooling the competitive advantages of different locations. Japan's experience with the first supply chain revolution was transformative. It altered its export-led model with important implications for its foreign policy. Japanese investments in the United States helped abate trade frictions; integrated production was at the heart of the project to rebuild relations with China, and Japan's lead as foreign investor in Southeast Asia has been a pillar of its blueprint for regional integration.

The strains in the rules-based international trade order, however, have raised questions about the ability of global supply chains to continue to operate effectively. The U.S.-China geopolitical rivalry has manifested in a damaging trade war, and moves to restrict tech flows are creating decoupling pressures. The COVID-19 pandemic has exacerbated these trends with lockdowns that disrupt supply chains while export protectionism and calls to renationalize production are on the rise. The intensified risk environment could lead to a second supply chain revolution with a greater emphasis on redundancy and diversification and bifurcation of productive chains. How will Japan respond to the challenges to international production, a central engine of its economic prosperity, and with what consequences for its relations with major powers?

To provide greater clarity on this overarching question, this paper is organized as follows. Section 1 describes the central role of Japanese firms in the emergence and deepening of regional production networks. Although Japan's overall share of intra-regional trade has decreased in the 21st century—in tandem with China's rise as regional hub—Japanese firms have retained their central role in GVCs (Global Value Chains) through their advanced manufacturing capabilities. Section 2 offers a glimpse of past and recent supply chain shocks—China's embargo of rare earth metals, the Great East Japan Earthquake in Tohoku, and the Japan-Korea export control dispute—to illustrate both sources of vulnerability and resilience of Japanese GVCs. Section 3 assesses the systemic shift brought about by revived great power competition, and identifies some early adjustment responses from Japanese firms to a new normal of heightened geopolitical tension.

The Globalization of *Monozukuri* Japan

Japan's economic rise was predicated on building a strong industrial base at home and capturing overseas markets through exports of finished products. As one Japanese industry after another (textiles, steel, consumer electronics, and automobiles) captured foreign markets, tensions with industrialized trading partners increased. Trade friction with the United States was particularly acute as Japan racked up trade surpluses and American producers decried the absence of a level playing field. The imposition of an export restraint on Japanese automobiles triggered a wave of Japanese investment as all major auto firms eventually opened plants in the U.S. to preserve their access to American consumers.

A veritable explosion of Japanese overseas investment took place just a few years later when the yen appreciated sharply in the aftermath of the 1985 Plaza Accord. The strong yen sharply curtailed the competitiveness of Japanese exports, prompting many firms to venture into international production. Flows of Japanese outward investment multiplied from \$5.9 billion dollars in 1984 to \$14.5 billion dollars in 1986 and reached \$44.1 billion by 1990.² The exodus was not just of large assemblers, but also of scores of small and medium-sized part makers. For instance, Japanese electronic part makers established 168 foreign affiliates between 1971-1984, but that number jumped to 602 foreign affiliates established between 1985-1999.³

The inflection point for Japanese outward investment precipitated important changes down the road. For one, it shifted the geographical orientation of Japan towards Asia in its role as foreign investor. As can be seen in Table 1, the United States, which had long been the central investment destination for corporate Japan, saw its centrality diminish over time. Asia became an important hub of operations for Japanese multinationals. Investments in newly industrialized economies (South Korea, Taiwan, Singapore, and Hong Kong) accelerated, and Japanese capital played a central role in Southeast Asia, becoming the top investor in the region.⁴ The opening of China to foreign direct investment saw a rush of Japanese investment eager to access its domestic market and tap its inexpensive labor force for assembly operations of export products to serve international markets. The gravitational pull of East Asia, and China in particular, also emerges in an important indicator of supply chain activity: trade in parts and components. China's share of Japanese exports of intermediate goods increased from 8 percent in 1999 to 23 percent in 2009, while the United States' share decreased from 26 percent to 13 percent in that decade. And China's share of Japanese imports of intermediate products peaked in 2014 with close to a 30 percent share, while the United States' share hovered around 14 percent.⁵

Table 1. Outward FDI Stocks (International Investment Position)			
(Selected years)	1996	2006	2019
Total in billion USD	258,653	449,680	1,858,300
Asia	30.6%	23.9%	27.8%
China	3.1%	6.7%	7.0%
NIES	11.0%	8.7%	9.8%
ASEAN	20.6%	11.1%	14.3%
India	0.3%	0.5%	1.5%
North America	37.8%	36.3%	29.8%
United States	36.5%	34.8%	28.7%
Canada	1.4%	1.5%	1.1%
Latin America	4.6%	8.7%	11.6%
EU	16.8%	26.4%	27.2%
Africa	0.2%	0.6%	0.3%
Oceania	4.1%	3.1%	4.4%

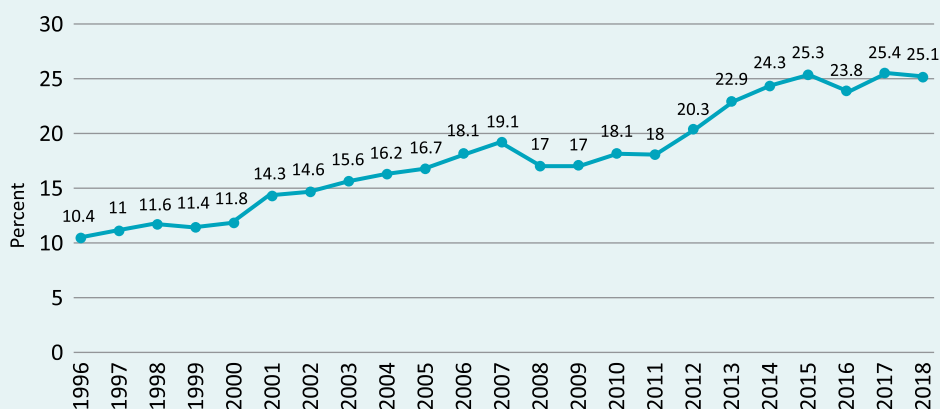
Note: The Ministry of Finance and the Bank of Japan implemented a major revision of balance-of-payments-related statistics from January 2014 onward, so there is a break in continuity between data before and after 2014.

Sources: Japan External Trade Organization (JETRO), "Japan's Total Outward FDI by Country/Region (International Investment position)," 2020, <https://www.jetro.go.jp/en/reports/statistics.html>.

Japanese companies were active participants in the supply chain revolution that transformed patterns of international trade and investment and rewired economic integration in Asia. This new stage of globalization, described by Richard Baldwin as the “second unbundling,”⁶ was enabled by improvements in communications technology that permitted coordination of complex production operations across national borders. As Baldwin emphasizes, the supply chain revolution is not merely about trade in intermediates, but also the transfer of technological and managerial know-how and the fusion of investment and trade activities. Regional production networks in Asia thrived thanks to a steep reduction in transportation costs and barriers to international trade. Governments in the region sought to attract investment-for-export operations, and Asia was well placed to benefit from the fragmentation of operations in the information technology sector, starting with semiconductor assembly.⁷ Bottom-up regionalization in Asia stitched by crisscrossing supply chains laid the groundwork for top-down regionalism in the form of preferential trade agreements. A powerful motivation for the Japanese government to negotiate deep trade agreements with behind-the-border disciplines was to create a more hospitable environment for the complex production sharing networks.⁸ Japan has crafted an extensive network of 21 trade agreements (in force or signed) that cover 79 percent of the country’s total trade.

Supply chains transformed Japan as well. For starters, economic activity became more closely integrated with overseas production. The foreign production ratio for Japanese industry nearly doubled from 10.4 percent in 1996 to 19.1 percent in 2007; it dipped due to the 2008 Global Financial Crisis (GFC), but the weight of overseas production recovered and increased further to reach 25.1 percent of all Japanese manufacture in 2018 (see Figure 1). For some industrial sectors, the share of foreign to domestic manufacture is very high. Table 2 shows this is the case for transportation equipment (47 percent), general purpose machinery (29 percent), and information and communication electronic equipment (28 percent). Over time, and facing growing competition from East Asian producers, Japanese firms moved up in the value-added ladder. As Ulrike Schaede points out, Japanese firms developed core competencies in advanced materials, high tech inputs, and sophisticated machinery, thereby becoming a technological pivot of the Asian supply chain. According to a survey of the Ministry of International Trade and Economy, cited by Schaede,⁹ Japanese companies captured between 50 percent and a 100 percent of market share in more than half of the 931 high tech products surveyed in 2017.

Figure 1. Overseas Production Ratio (Manufacturing Industries)



Source: Ministry of Economy, Trade and Industry, “Summary of the 49th Basic Survey on Overseas Business Activities (conducted in July 2019),” *Survey on Overseas Business Activities*, <https://www.meti.go.jp/english/statistics/tyo/kaigaizi/pdf/h2c412je.pdf>.

Table 2. Overseas Production Ratio (Ranking by sector) (2018)

Manufacturing Industries	% of foreign production
Transportation equipment	46.9%
General-purpose machinery	29.2%
Information and communication electronics equipment	27.8%
Non-ferrous metals	21.5%
Iron and steel	20.8%
Chemicals	19.8%
Ceramic, stone, and clay products	19.5%
Business oriented machinery	17.5%
Petroleum and coal	17.4%
Electrical machinery	15.3%
Production machinery	14.7%
Textiles	14.2%
Miscellaneous manufacturing industries	13.4%
Food	10.7%
Lumber, wood, paper, and pulp	10.3%
Metal products	7.2%

Source: Ministry of Economy, Trade and Industry, “Summary of the 49th Basic Survey on Overseas Business Activities (conducted in July 2019),” <https://www.meti.go.jp/english/statistics/tyo/kaigaizi/pdf/h2c412je.pdf>.

Contrary to the experience of other countries which saw their degree of participation in global value chains stall after the 2008 Global Financial Crisis,¹⁰ Japan has intensified its GVC participation. Table 3 looks at the GVC participation index of the three largest economies in the world.¹¹ It shows a different pattern from the United States and China in that the intensity of Japan’s GVC participation—both forward and backward links—was augmented throughout this period.

Table 3. Global Value Chain Participation Index						
	Forward GVC Participation (% of GDP)			Backward GVC Participation (% of Final Goods Production)		
	2000	2010	2017	2000	2010	2017
China	8.2%	10.6%	8.1%	11.3%	13.7%	9.1%
Japan	5.5%	7.6%	8.3%	4.9%	7.5%	9.1%
United States	5.0%	6.0%	5.6%	5.7%	6.4%	6.1%

Source: ADB Inter-Country Input-Output Database, 2017 ed. Index calculations generously supplied by Xin Li and co-authors (2019).

The tale of Japan’s dethronement as leader in the manufacture of consumer electronics and semiconductor chips is well known, but examples abound of the critical role that Japanese advanced inputs and machinery play in strategic supply chains in the Asia-Pacific region. In the field of smartphones, an examination of sourcing for Huawei and Apple’s smartphones shows that parts supplied by Japanese firms for the Huawei P30 pro model represented 23 percent of the total value, above the contribution from American (16.3 percent), Taiwanese (7.9 percent) and South Korean (7.7 percent) producers. In the case of Apple iPhone XS Max, the value added by Japanese producers (13.7 percent) came third, after South Korean (32.9 percent) and American firms (30.7 percent).¹² In semiconductor manufacturing, Japan is the dominant supplier of three high value-added chemicals essential to semiconductor manufacture. Japanese firms supply 90 percent of fluorinated polyimide, 70 percent of etching gas, and 90 percent of photoresist.¹³ And some Japanese firms have remained very competitive in manufacturing equipment for semiconductor production. Japan was the largest exporter of semiconductor manufacturing equipment between 2014 and 2018 with 30 percent of world exports.¹⁴

The globalization of Japan’s *monozukuri* (fine craftsmanship) has been essential to the transformation of Japan’s economy, has helped spur a new regional division of labor with more closely knit economic interdependencies, and has provided impetus for the construction of a regional architecture geared towards supply chain trade. However, economic interdependence also carries risk, and the spread of production networks has accentuated at times the costs of supply shocks in instances of interstate friction or natural disaster.

Supply Chain Shocks: Vulnerability and Resilience

China's Rare Earths

China's embargo of rare earth shipments to Japan in September 2010 was a wakeup call for Japanese corporations and the government on the risks of asymmetric interdependence. In the years prior, China had made a concerted effort to become the dominant supplier of rare earth metals, which are of critical importance for high-tech supply chains. Starting in the late 1980s, China began to impose increasingly strict export restrictions in order to direct earth metal supply to domestic production and to encourage foreign processors to relocate to China for the purpose of capturing the higher value-added segments of the industry. With the closure of other rare earth mines in the United States and Australia, China controlled the rare earth metal market for all practical purposes. In the case of Japan, imports from China amounted to 90 percent of the supply of rare earth metals.¹⁵

The dictum of “hot economics, cold politics” that had characterized Sino-Japanese relations since their normalization in the 1970s was turned on its head when China used a supply shock on a strategic commodity to impose costs on Japan for its handling of the territorial dispute in the Senkaku/Diaoyu islands. The crisis erupted on September 7, 2010, when a Chinese boat rammed a Japanese Coast Guard vessel in Japan's territorial waters. The Japanese government arrested the boat's captain and announced its intention to prosecute him under Japanese law. The Chinese government strongly protested and mounted a pressure campaign to secure the release of the captain, which included a non-official ban on rare earth metals exports to Japan. The supply restrictions would last two months.

Although China did win an immediate victory when the Japanese government released the Chinese captain on September 24, it unleashed larger forces that eventually limited its hold over the global rare earth market. The Japanese private sector and government sprang into action to reduce a vulnerability that Chinese actions had exposed bare. The multi-pronged effort involved reducing consumption of rare earth metals through redesign and recycling efforts, the diversification of supply by financing rare earth mining and processing elsewhere, and the litigation of Chinese export restrictions at the WTO.

Japan's Ministry of Economy and Trade (METI) adopted a subsidy program to reduce Japanese corporations' dependence on rare earth from China. METI awarded \$513 million in subsidies to 160 projects that reduced consumption of rare earths, recycled the materials, or diversified suppliers.¹⁶ Japanese companies on their own or in collaboration with the Japan Oil, Gas, and Metals National Corporation (JOGMEC) invested actively in mining and processing facilities for rare earths in Central, South, and Southeast Asia, Australia, and the United States. A case in point is Sojitz and JOGMEC's support for Lynas Corporation to reopen its rare earth mines in Australia. At the same time that Japan opened new sources of supply, it challenged Chinese export restrictions, invoking multilateral trade rules. Japan secured a favorable ruling from the WTO on March 2014, which was sustained by the Appellate Body. China proceeded to eliminate its export quota system in 2015.¹⁷

These efforts visibly reduced Japan's dependence on Chinese supply. By 2018, China's share of Japanese imports of rare earths hovered around 58 percent. In fact, Japan was the country that had most success in reducing its reliance on Chinese rare earth metals. Chinese imports of rare earth metals still represent 98.5 percent of the total for the EU., 95.2 percent for the U.S., and 90.9 percent for South Korea.¹⁸ Japan's diversification efforts have not ceased either. With the goal of reducing the share of rare metal imports coming from China to less than 50 percent by 2025, the Japanese government has teamed up with the United States and Australia to open a processing facility in Texas and will fund similar ventures in Africa.¹⁹

3/11 Natural Disaster

Not long after the original spat with China, Japanese supply chains were once more sorely tested, this time by a major natural disaster. On March 11, 2011 Japan was jolted by a 9.0 earthquake that triggered an enormous tsunami and a nuclear crisis in Fukushima. Casualties from 3/11 surpassed 16,000 people, and tens of thousands of people were displaced. The nuclear accident underscored the regulatory failures of the "nuclear village" and brought about a drastic reorientation of Japan's energy policy with only a few nuclear reactors currently active. The disaster hit the Tohoku region the hardest, and it disrupted important manufacturing networks in automobiles and electronics. For instance, the company Renesas—which produced 40% of the world's microcontrollers for automobiles—saw major damage to its Naka plant.²⁰ Shin-Etsu's—one of two Japanese producers supplying 60 percent of all silicon wafers used for computer chip production—had to close its Shirawaka plant due to earthquake damage. The disruptions in supply chains affected downstream producers both inside and outside Japan. For example, Toyota had to suspend operations in Japan and resumed full production only a month after the quake, and GM's Louisiana plant also temporarily halted production.²¹

The Great East Japan Earthquake exposed both the centrality of Japanese advanced component manufacture for scores of industries in Japan and abroad, as well as the risks of a sudden stoppage to the supply of those components when a natural disaster hit. Carvalho and his co-authors documented serious damage upstream and downstream the supply chain.²² Firms outside of the affected region that had clients or suppliers in Tohoku reported negative sales or procurement disruptions. However, as Todo and Inoue show,²³ supply chains also provide a buffer to weather a natural disaster. Affected firms in the region were able to tap on their supply chain networks for assistance. The results were impressive. For example, user and supplier firms of microcontrollers (both foreign and domestic) teamed up to speed up the recovery—from the original projection of one year—to just three months.²⁴

Given the severity of the production disruptions after 3/11, Japanese companies resorted to several measures to increase their resilience: greater use of standardized products, some increase in inventories, and diversification of suppliers.²⁵ But these measures did not amount to the end of 'just-time-delivery' system or the dependence on highly specialized parts. As Fujimoto explains,²⁶ Japanese producers had to weigh in the tradeoffs between robustness and competitiveness as they factored in the risks of a future low-probability event like the Tohoku earthquake/Fukushima nuclear accident. The shift to greater use

of standardized parts, the duplication of procurement channels, or the accumulation of inventory, would increase resilience to supply shocks but would come at a cost in terms of efficiency, quality, and streamlined operations for industries that face international cut-throat competition.

Japan-Korea Export Control Row

On July 4, 2019 the Japanese government tightened export controls for shipments to South Korea of three chemicals that are essential to semiconductor and smartphone manufacture. Altogether, these chemical imports represented 12.6 percent of South Korea's global imports, but more importantly, Japanese companies were the dominant suppliers for Korea in these advanced materials: 94 percent of fluorinated polyimide, 92 percent of photoresist, and 44 percent of hydrogen fluoride.²⁷ The Japanese government cited concerns with lax Korean export control protocols that could result in the transfer of sensitive dual-use materials to countries like North Korea to justify the move. However, the timing of the decision as Japan-South Korea relations sharply deteriorated over the Korean Supreme Court's decision to award damages for individual cases of forced labor during WWII, created concerns over the politicization of Japanese export control policy.²⁸

The dispute escalated rapidly. Japan delisted South Korea from its White List for expedited export controls and South Korea retaliated in kind. The South Korean government took the dispute to the World Trade Organization and threatened to terminate the bilateral agreement on information sharing of military intelligence. A Korean boycott of Japanese goods and travel to Japan further strained ties. Bilateral relations have reached their lowest point as the government of Japan deems that the court rulings undermine the 1965 normalization of relations treaty, and the government of South Korea views the export control restrictions as the weaponization of economic interdependence. Repairing this rift will be a tall order.

The revamped export controls now mandate a license for individual shipments of these chemicals (a process that can take up to three months), complicating the procurement strategies of Korean firms. The Japanese government approved licenses for some shipments and on December 2019 it eased restrictions, allowing companies to receive a three-year license to cover all shipments of photoresist. Nevertheless, the uncertainty about stable supply of critical materials had immediate and long-term effects. Japan's exports to Korea between August and December of 2019 fell by \$2.9 billion dollars, and there were almost no shipments of hydrogen fluoride in October-November of that year.²⁹

Both the Korean government and semiconductor firms have responded with strategies to diminish a strategic vulnerability. The government announced a \$1.9 billion fund to promote domestic manufacture and diversification, and Korean firms have responded by increasing inventories, switching to domestic producers when possible, and diversifying suppliers. There have been ripple effects in the supply chain affecting Japanese companies. Chemical firms in Japan have reported a 30 percent drop in etching gas sales to South Korea since the enactment of the export controls.³⁰ The business press in Japan reports some Japanese companies are shifting production to South Korea or using a joint venture in Belgium to sell products in order to avoid losing the market.³¹

As this brief overview has made clear, Japanese supply chains have endured significant strain at times of bilateral political friction or in cases of natural disaster. The production disruptions have propagated more broadly due to the vertical integration at the heart of GVCs that links national economies more closely. But supply chains have also proved resilient and have helped firms hedge against production disruptions in one location. Common responses to supply shocks have included diversification of supply, localization, redesign and inventory efforts, and resort to multilateral trading rules.

These are important lessons to keep in mind as global value chains are and will continue to experience deeper and sustained stress. Strategic competition among the two largest powers in the world, an upsurge of protectionism with a weakened WTO, and the pandemic crisis announce a new normal to the world order. A world economy of greater barriers to integrated production due to the securitization of economic relations is on the horizon.

New Normal? U.S.-China Strategic Competition and the Revival of Economic Nationalism

“Economic security is national security”

To the extent that the dictum “economic security is national security” gains traction in guiding state behavior, GVCs will be operating in a markedly different terrain. A main driver for this era of reasserted state intervention in international economic exchange is the strategic rivalry between the United States and China. China experienced dramatic change during the reform era when it opened the door to foreign investment and greater trade, and eventually accepted new disciplines as a condition for WTO membership. But the market reform spirit appears largely depleted with a more interventionist industrial policy and a higher degree of ambition in morphing from low-cost labor assembly hub to becoming a techno power.

The market distorting policies (such as industrial subsidies, preferences to state-owned enterprises, IP theft, joint venture limits, and forced technology transfer) that have been long-standing irritants for trading partners have acquired new significance. China’s authoritarian tilt under Xi Jinping, its ability to use its economic prowess as a tool of global influence, and the strategic repercussions of new technologies in the fields of 5G, AI, quantum computing, and semiconductors, have raised the stakes. Robert Williams notes these technologies are characterized by the “omni problem:”³² they have myriad applications for advanced military weaponry and also provide the crucial platform for the industries and economic activities of the future. The supply chains that have been built about globally integrated sectors such as telecommunications and semiconductors, therefore, are in the cross-hairs of this intensifying tech rivalry.

The Trump administration's opening move in the shift to strategic competition with China was the imposition in June 2018 of tariffs on \$50 billion worth of imports from China following the findings of a Section 301 investigation on Chinese unfair IP and technology practices. China swiftly retaliated and the tit-for-tat tariff war soon covered a sizable share of bilateral trade. The United States applied retaliatory tariffs on \$360 billion dollars of products coming from China, and China's tariffs applied to \$110 billion dollars of imports from the U.S. Both countries reached a truce in the tariff war with a "phase one" trade deal in early 2020. However, the agreement delivered more on managed trade than structural reform. China agreed to purchasing commitments worth \$200 billion, but there were no commitments on industrial subsidies, disciplines on state owned enterprises, or far-reaching IP protections.

The United States had limited success in exacting more meaningful commitments from China in part because its trade unilateralism undermined the possibility of a coordinated effort with like-minded countries. The withdrawal from the TPP, the imposition of dubious "national security" tariffs on steel and aluminum that largely impacted American allies, and the threat to impose "national security" tariffs on automobiles to obtain trade concessions from countries like Japan, undermined collective efforts. At a time when trade frictions have markedly grown, the WTO's mechanism to adjudicate disputes among states stalled due to the suspension of Appellate Body operations.

Advanced technology is at the heart U.S.-China strategic competition. Concerned with the cybersecurity risks that Huawei represents (both because of the ability of the Chinese government to request confidential data, and design vulnerabilities to hacking attacks), the American government banned the Chinese telecom firm from its 5G networks in 2019 and encouraged partner and allied nations to do the same. Australia, the UK, Sweden, Taiwan, and Japan have followed suit. Another important objective has been to prevent Huawei and other Chinese tech companies from accessing the most advanced semiconductors. To that effect, in 2019 the Commerce Department placed Huawei and several Chinese firms on its entity list mandating a license (with the assumption of denial) for any sale to take place. A year later, the export controls were applied extra-territorially by prohibiting foreign companies using American equipment and software to sell chips to Chinese firms on the entity list. China has responded by tightening its own export controls and drafting a list of unreliable suppliers. Further American restrictions may be forthcoming as the Biden administration has ordered a review of supply chain vulnerabilities in four sectors: semiconductors, large capacity batteries, pharmaceuticals, and critical minerals.³³

As the American and Chinese governments spar with tech curbs, the adjustment costs for American and foreign companies in the semiconductor supply chain could be vast. American semiconductor firms have raised concerns that the export controls deprive them of profitable markets, and they could be designed out from the next generation of products.³⁴ A decoupling scenario looks more likely in the semiconductor sector: "with global chip suppliers increasingly under pressure to choose between 'blue' (U.S.) and 'red' (China) supply chains."³⁵

The COVID-19 pandemic that has ravaged the world with massive loss of life and economic hardship has also clouded the future of GVCs. As countries imposed lockdowns to contain the virus, economic activity sharply declined and critical supply chains were disrupted. Many governments responded to the scarcity of personal protection equipment and medicines with self-defeating export restrictions that will hinder the response to the health crisis. As export protectionism grew, so did calls to renationalize production in order to eliminate the risks of supply from abroad.³⁶ However, broad re-shoring of production is neither feasible nor a panacea. Localization of supply chains would make countries across the board economically smaller and more vulnerable to domestic production shocks that could not be cushioned through the trade channel, according to an OECD (2020) simulation.³⁷ While governments can attempt to change the incentive structure with sticks (mandatory export approvals) and carrots (subsidies), it will be private companies who will decide the if, how, and when of revamping their cross-border production networks.

Table 4. The Impact of Protectionism on Selected Manufacturing Sectors
(%, multiple answers accepted)

	No. of firms	U.S. tariffs on Chinese products	Chinese tariffs on U.S. products	U.S. export controls and FDI screening	U.S. national security tariffs on steel and aluminum	U.S. national security investigation tariffs on automobiles	Retaliatory tariffs against U.S. steel/aluminum tariffs	Other
Chemicals	35	62.9%	37.1%	8.6%	2.9%	14.3%	2.9%	2.9%
Medical products & cosmetics	13	30.8%	15.4%	15.4%	7.7%	0.0%	7.7%	15.4%
Coal & petroleum products/plastics/rubber products	27	44.4%	22.2%	18.5%	7.4%	11.1%	3.7%	3.7%
Iron & steel/non-ferrous metals/metal products	83	45.8%	26.5%	19.3%	27.7%	18.1%	19.3%	6.0%
General machinery	64	42.2%	14.1%	17.2%	15.6%	9.4%	6.3%	3.1%
Electrical equipment	32	56.3%	40.6%	18.8%	15.6%	12.5%	15.6%	0.0%
It equipment/electronic parts & devices	19	57.9%	26.3%	26.3%	5.3%	21.1%	5.3%	0.0%
Cars/car parts/other transportation machinery	52	36.5%	21.2%	11.5%	21.2%	28.8%	17.3%	3.8%
Precision equipment	30	26.7%	10.0%	13.3%	10.0%	3.3%	6.7%	0.0%

Note: This survey was conducted November 5-December 23, 2019 with 3,563 respondents (firms headquartered in Japan with interest in overseas business). The table reflects responses from 355 manufacturing firms from selected sectors that responded they had been impacted by trade protectionism.

Source: Japan External Trade Organization (JETRO), February 27, 2020, https://www.jetro.go.jp/ext_images/en/reports/survey/pdf/jafirms2019-rev.pdf.

A Test of Resilience for Japanese Supply Chains

The rise of trade protectionism has been keenly felt by internationalized Japanese corporations. Table 4 presents results from a December 2019 JETRO survey of selected Japanese manufacturing sectors. A number of findings stand out. One, there has been a wide-ranging set of protectionist/restrictive policies that influence the operation of Japanese firms beyond the U.S.-China trade conflict: “national security” tariffs on metals and possibly autos and retaliatory responses from U.S. trade partners, in addition to tighter export controls and investment screening mechanisms. Two, Japanese firms are particularly susceptible to the U.S.-China trade war with a large share of companies in sectors such as chemicals, IT equipment, electronic products and parts, metals, and general machinery reporting an impact. Three, just the threat of a 25 percent “national security” tariff on automobiles (which did not materialize) was felt strongly by Japanese auto producers. Finally, even though the survey was carried out before the U.S. expanded its export controls on semiconductors to foreign companies, Japanese firms in IT equipment, electronic parts, and devices already felt the effects of the growing restrictions.

The survey findings are consistent with the regression analysis of Sun and his co-authors on the impact of the U.S.-China tariff war on Japanese multinationals.³⁸ They point out that Japan is likely the country experiencing the largest third country impacts due to the size of its economy and the large share of trade both with China and the United States. In particular, they are able to track the largest negative effects to Japanese affiliates in China with a high exposure to trade with North America. The negative effects are felt not just in drop in sales but also stock market valuations.

Due to the large foreign factor content in Chinese exports (the supply chain effect), the U.S.-China economic conflict is not bilateral; it has ripple effects across third parties. Consequently, questions about decoupling of the two largest economies in the world loom large for Japan. Wholesale decoupling has been an unattractive alternative—due both to the prohibitive costs for the private sector and recent diplomatic efforts to stabilize relations with China—but targeted segmentation in sensitive sectors may be in the offing. These views are captured in a July 2020 JCER-Nikkei survey of 3,000 employees in corporate Japan. Figure 2 shows there are mixed views on the merits of the government of Japan opting to decouple from China at the U.S.’s behest. In Japan, like elsewhere in Asia, the “don’t make us choose” sentiment is palpable. But there is also a very clear sense that if some decoupling were to take place it would center on the emerging technologies (telecom, quantum computing, AI, etc.) and capital flows.

In the early stages of the pandemic, Japanese supply chains were hit hard, especially their affiliates in China and ASEAN.³⁹ The lockdown in Wuhan, a Chinese manufacturing hub, created scarcities of components and resulted in production shutdowns in some Japanese auto plants in Japan. Coupled with concerns over sufficient availability of personal protective equipment and medical supplies, the Abe government launched in spring 2020 a subsidy program to re-shore or relocate production where there is overdependence from a single source (aka China). Subsidies to strengthen supply chains have been awarded to more than 200 companies for a total of \$3.1 billion dollars, and the Suga administration is expected to award further subsidies in this year’s annual budget.

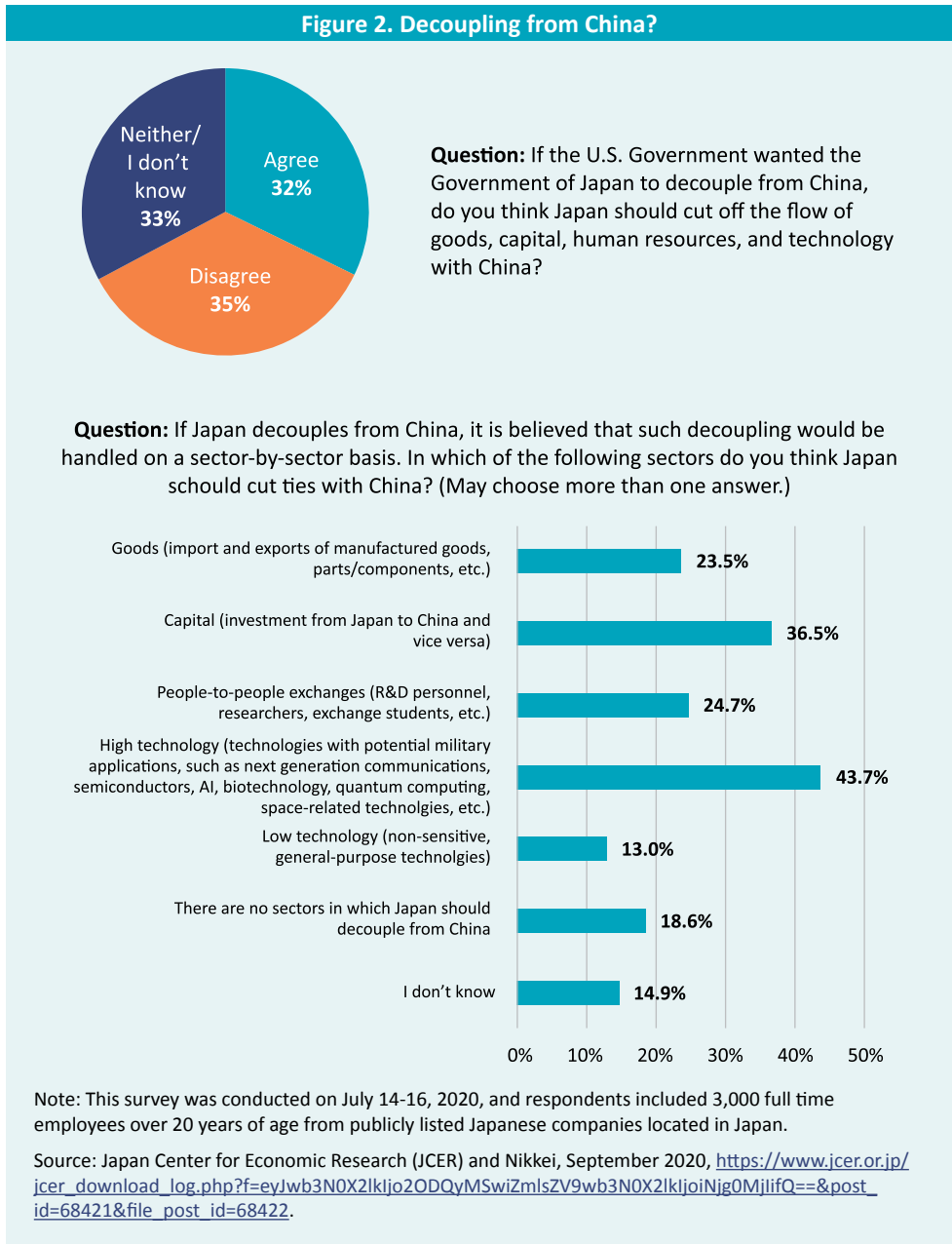
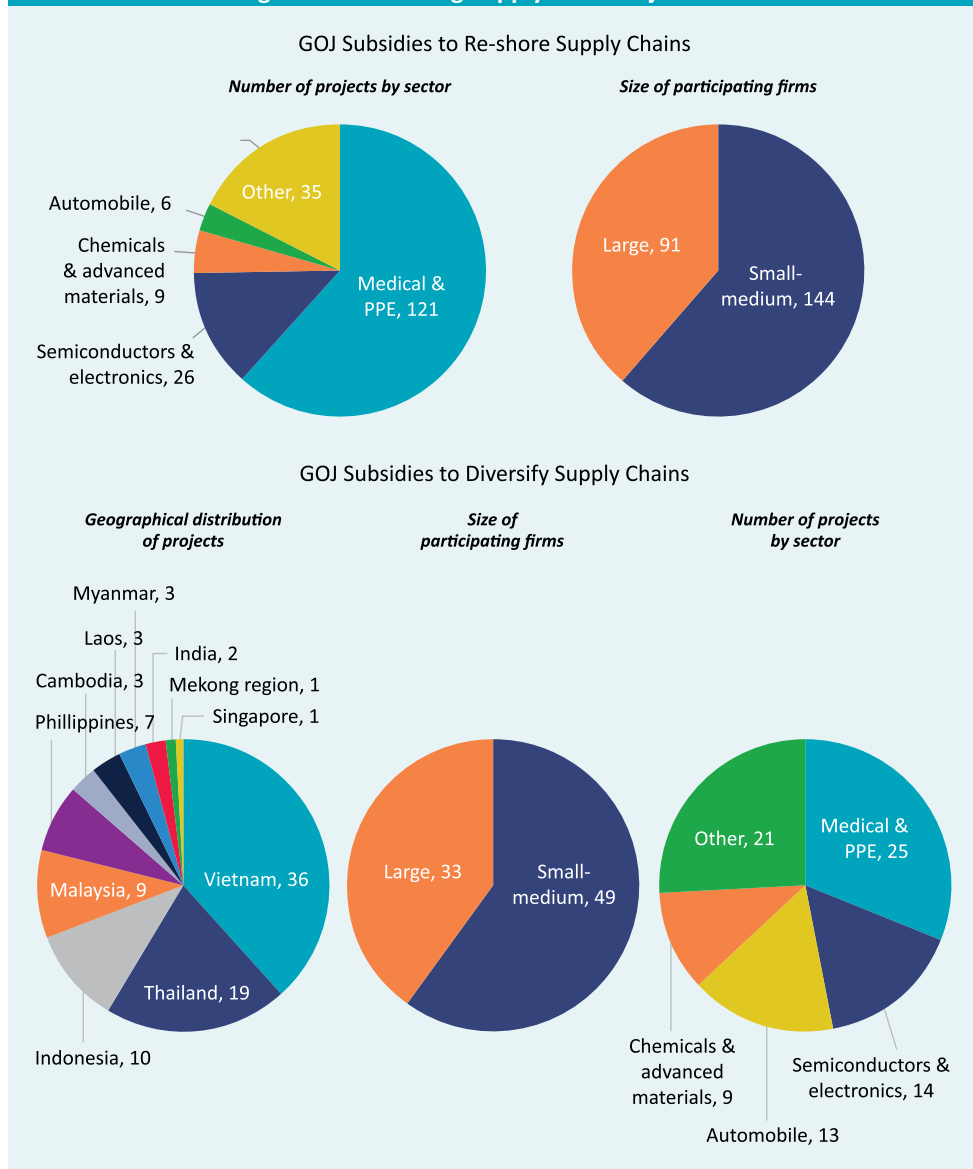


Figure 3 offers a closer look at the supply chain adjustment subsidies. The bulk of the money (\$2.9 billion) has been awarded to relocation while diversification into Southeast Asia projects has been allotted \$221 million. While most recipients are small and medium-sized enterprises, there are a fair number of large firms enrolled in the subsidy program. The sectoral breakdown reveals that personal protective equipment and medical supplies

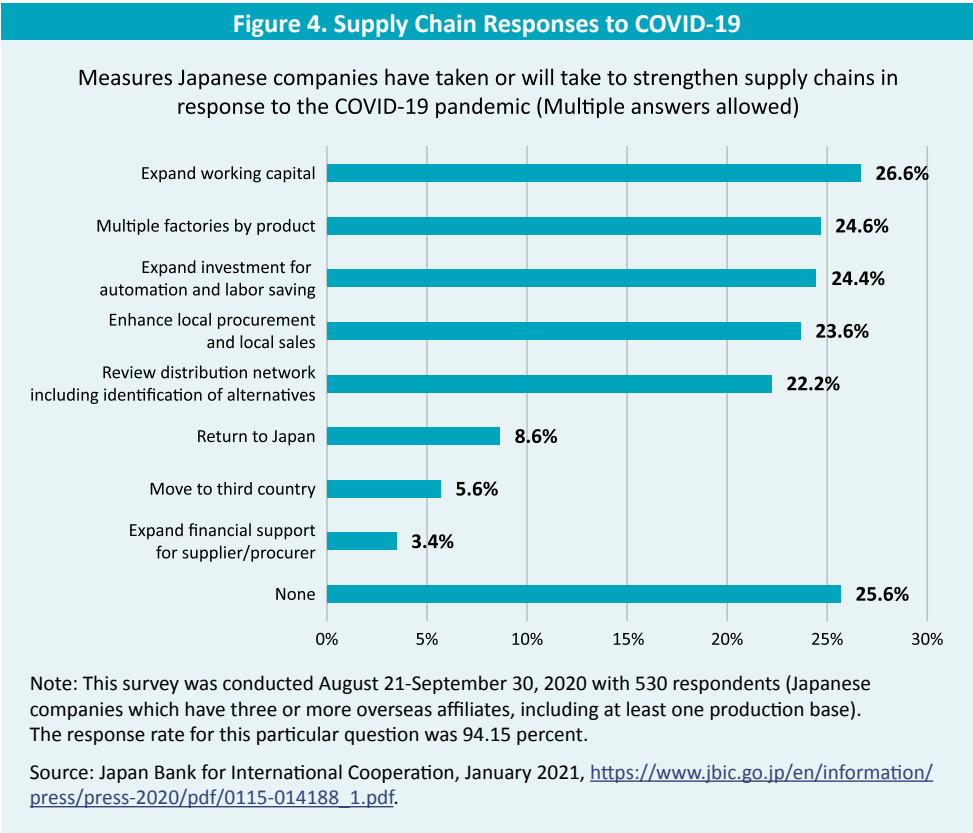
are a priority (especially in the on-shoring track), but so are high tech sectors in the crux of the China-U.S. row. Advanced materials (chemicals, rare earths) and semiconductors and electronics are frequent subsidy recipients. In terms of diversification into Southeast Asia, Vietnam has been the most common destination, followed by Thailand, Indonesia, and Malaysia.

Figure 3. Subsidizing Supply Chain Adjustment



Sources: Ministry of Economy, Trade and Industry (METI), “サプライチェーン対策のための国内投資促進事業費補助金の採択事業が決定されました,” [Successful Applicants Selected for the Program for Promoting Investment in Japan to Strengthen Supply Chains], November 20, 2020, <https://www.meti.go.jp/press/2020/11/20201120005/20201120005.html>; Ministry of Economy, Trade and Industry (METI), “サプライチェーン対策のための国内投資促進事業費補助金の先行審査分採択事業が決定されました,” [Successful Applicants Selected for the Program for Promoting Investment in Japan to Strengthen Supply Chains], July 17, 2020, <https://www.meti.go.jp/press/2020/07/20200717005/20200717005.html>.

The supply chain adjustment program is not the first instance the Japanese government has extended subsidies to alleviate overdependence on China (rare earths), nor is it the first time Japanese firms have sought to ease their reliance on manufacturing in China by expanding their presence in Southeast Asia (China Plus One strategy). The subsidies are not conceived as a jobs program (there are no employment requirements), nor are they meant to bring wholesale reshoring or decoupling. The subsidies are small compared to Japanese FDI stock in China (\$130 billion); they do not mandate exit from China (some recipients have both invested in Southeast Asia and expanded operations in China),⁴⁰ nor do they finance the most common strategies employed by Japanese MNCs to deal with the COVID-19 crisis (a point underscored by a JBIC survey on the adjustment responses of Japanese supply chains to the pandemic, see Figure 4). Hence, the subsidy program is better understood as an attempt to assist Japanese companies to streamline some of their operations by hedging against immediate (COVID-19) and longer-term risk (great power competition).



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- ¹ I greatly appreciate the research assistance of Laura McGhee and Seojung Kim.
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- ⁸ Saori Katada, *Japan’s New Regional Reality: Geoeconomic Strategy in the Asia-Pacific* (New York: Columbia University Press, 2020).
- ⁹ Ulrike Schaede, *The Business Reinvention of Japan: How to Make Sense of the New Japan and Why It Matters* (Stanford: Stanford University Press, 2020), 78.
- ¹⁰ Li, Xin, Bo Meng, and Zhi Wang, “Recent patterns of global production and GVC participation,” in *Global Value Chain Development Report 2019: Technological innovation, supply chain trade, and workers in a globalized world* (Geneva: World Trade Organization, 2019).
- ¹¹ The authors of this report explain that the forward GVC index measures how much of production factors have been involved in production sharing across borders, while the backward GVC index tracks the content from GVCs in the production of final goods.
- ¹² Tanaka Akito, “Teardown of Huawei latest model shows reliance on U.S. sourcing,” *Nikkei Asian Review*, June 26, 2019, <https://asia.nikkei.com/Economy/Trade-war/Teardown-of-Huawei-latest-model-shows-reliance-on-US-sourcing>.
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Taiwan's Shifting Role in the Global Supply Chain in the U.S.- China Trade War

Jinji Chen, Hong-yu Lin, and Yi-ting Lien

The U.S.-China trade war and the pandemic have had a profound impact on cross-border supply chains. In the past few years of U.S.-China tensions, China has been accused of engaging in unfair competition by abusing its national power, from trade and technology to COVID-19 responses. Amid such accusations, some countries have been stepping back from cooperating with China due to national security concerns. As the lockdowns have further disrupted value chains and highlighted the vulnerability of global supply chains, enhancing supply chain resilience has now become a national imperative for the U.S., Japan, and other countries, with an emphasis on strengthening their production capabilities in the semiconductor and medical care industries.

After entering the WTO in 2001, China has developed a rapidly growing trade surplus. Its exports to the U.S. increased apace and hit the \$500 billion mark in 2017. As the trade imbalance widened, a rising trade deficit drew the U.S. government's attention and eventually led the Trump administration's decision to prioritize this matter. While there were high hopes that WTO accession terms would lead to market liberalization in China, the People's Republic has violated trade rules by continuing to subsidize state-owned enterprises, infringing on intellectual property rights, forcing technology transfers, and manipulating its currency. All these unfair trading practices have dramatically reconfigured value chains and negatively impacted worldwide economic activities.

According to the World Bank's 2019 Global Value Chain (GVC) Development Report,¹ GVCs were traditionally centered on three hubs—the U.S., Japan, and Germany in the Americas, Asia, and Europe, respectively. Connections were established based on adjacency. However, China's entry into the WTO has reshaped this order by restructuring the lineup of supply centers. By 2017, China had replaced Japan as the regional supply hub in the GVC networks. Its connections also extend to the Americas and Europe. China has become an important producer and trading center across GVC networks.

Globalization has spread the division of work in the GVC networks to a global scale. Cross-border investments have narrowed the technological gaps between countries and taken on an added importance of the differentiation in production costs. Therefore, vertical collaboration apportions value chain activities to different countries based on their location advantage. Taiwan has been heavily involved in the complex technological ecosystem between Japan and the U.S., and has benefitted from the two countries' research and design (R&D) capacities and key technologies. Embedded in this ecosystem, Taiwan emerged as a leading manufacturer in the semiconductor industry with policy support.

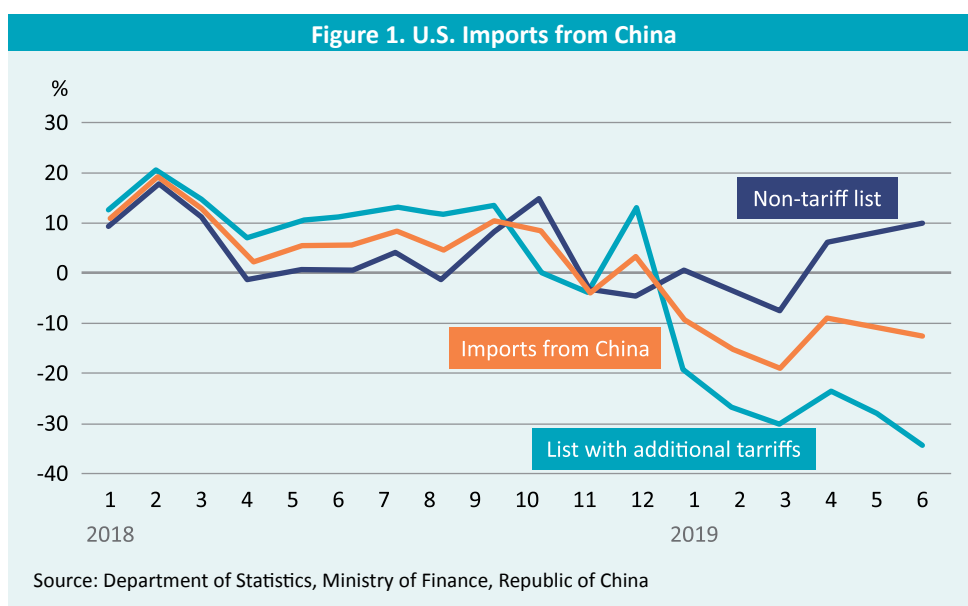
Years of gradually rising wages have eroded China's once-overwhelming cost advantage, which accelerated changes within the regional supply chain. The U.S.-China trade war has furthered these shifts. Companies from Taiwan, Japan, South Korea, ASEAN, Europe, and the U.S. are all reshaping the cross-border supply chains in the region. High-end manufacturing is reshoring to Taiwan, Japan, Europe, and the U.S., while labor-intensive sectors have been relocating to ASEAN and South Asia, where seemingly inexhaustible pools of relatively low-wage workers are available. On the cusp of its economic transformation, Taiwan is faced with challenges such as slow recovery of the global economy, reindustrialization of developed countries, and the emergence of China's red supply chain.² Past success in production and manufacturing is unlikely to be achieved again, given that the current economic model has encountered development bottlenecks. New growth catalysts are required to revive industrial development and boost economic growth.

In 2016, Taiwan launched a new model for economic development that focuses on strengthening industrial advantages of critical industries. After the COVID-19 outbreak in 2020, Taiwan has begun to adjust its economic structure, with a view to diversifying supply chain risks to avoid large-scale production suspension and disruption. Such efforts include boosting industrial upgrades and transformation, encouraging Taiwanese businesses to reshore, spearheading the development of cutting-edge industries, and developing high-end R&D and managerial talent. Taiwan has been closely following the Biden administration's policy in technology and trade with China, stepping up cooperation with developed countries in R&D and technology, and relocating production to nations targeted by the New Southbound Policy.³ Adjusting industrial structure and deepening collaboration with the U.S., Japan, Europe, as well as the targeted countries of the New Southbound Policy will help Taiwan secure its vital role amid the reshuffling of international supply chains.

Economic Impact of U.S.-China Trade War on Taiwan and the Rest of the World

Impact of U.S.-China Trade War on Exports from Different Countries

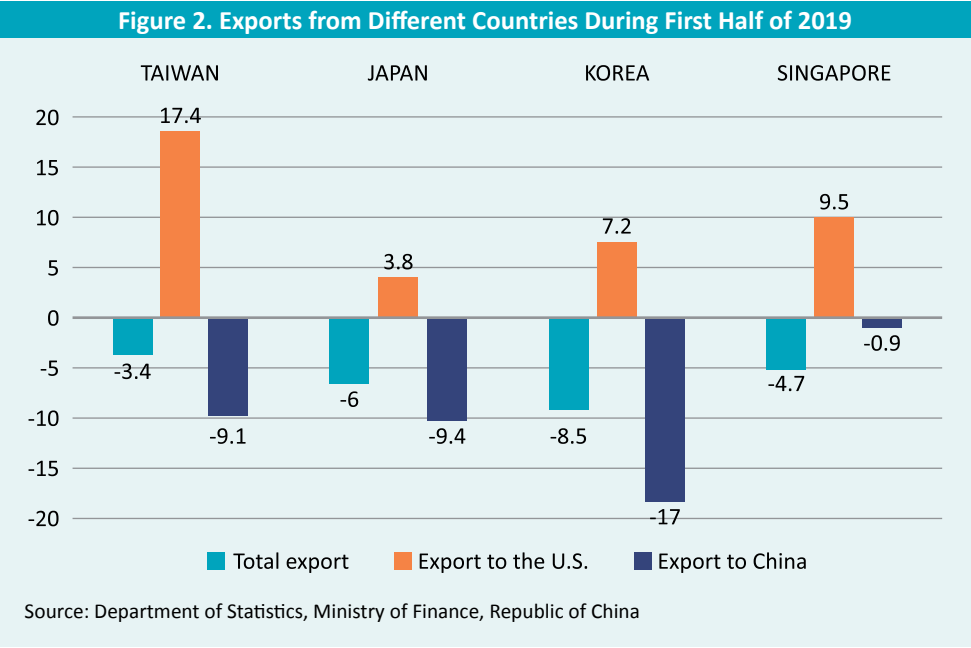
According to a report by Taiwan's Ministry of Finance,⁴ U.S. imports from China grew at 6.8 percent in 2018—items with additional tariffs were up by 9.9 percent and non-tariff ones up by 4.2 percent. Since January 2019, the situation has changed (See Figure 1). Imports with additional tariffs decreased consecutively for 6 months, with a reduction of 27 percent from January to June, while non-tariff list imports remained stable with an annual growth rate of 2.4 percent. Total imports from China decreased by 12.4 percent.



The U.S.-China trade war has reduced China’s exports, particularly to the U.S. Consequently, China’s demand for components from other countries dropped, despite its dominant role as a part of the “Asian factory,” where a large number of components are assembled into final products. This was intertwined with the decline in other countries’ exports to China during the first half of 2019—Taiwan saw a drop of 9.1 percent, Japan of 9.4 percent, South Korea of 17 percent, and Singapore of 0.9 percent.

The U.S.-China trade war has triggered a restructuring of the global supply chain, with various countries directly selling more to the U.S. During the first half of 2019, Taiwan, Japan, South Korea, and Singapore all witnessed an increase in exports to the U.S. Taiwan benefited from orders transferred from China and enjoyed a growth of 17.4 percent year-over-year in its exports to the U.S., higher than 3.8 percent for Japan, 7.2 percent for South Korea, and 9.5 percent for Singapore. In sum, Taiwan’s exports sailed through the storm of trade war, with only a 2.3 percent decline in exports during the first half of 2019, a lower rate compared to South Korea, Japan, and Singapore (See Figure 2).

In response to the U.S. tariffs, the Chinese government expanded export rebates in order to prevent a drastic decrease of Chinese exports.⁵ The action indirectly relaxed the pass-through effect of U.S. tariffs on U.S. consumers and reduced the pressure of imported inflation.



Impact of U.S.-China Trade War on Taiwan's Imports/Exports

In 2018, Taiwan's total exports were \$334 billion, up 5.9 percent from a year earlier. Meanwhile, Taiwan's imports totalled \$284.79 billion, up 10.7 percent. Its overall imports increased slightly by 0.3 percent. Exports to China went up by 6 percent and exports to the U.S. increased by 7.4 percent. Because of the continuation of the trade war, in the first half of 2019, Taiwan's exports declined by 3.4 percent from the same period in 2018. Its total exports to China dropped by 4 percent. Its exports to the U.S., however, grew by 17.1 percent during the first half of 2019.⁶ This may undermine existing networks in supply chains and lead to a reshuffling effect on cross-border collaboration models—creating a new division of work in global supply chain networks.

As Taiwan and China's roles in supply chains continued to evolve, the collaboration and division of labor between the two are also gradually changing. In the past, countries have relied on the interconnectivity of global supply chains to improve margins. Taiwan carried out R&D and shipped semi-finished goods to China for processing, and China exported to the U.S. on a large scale to meet the demand there. This triangular trade involves orders accepted by Taiwan, production in China, and consumption in the U.S. The triangular trade model has also impacted Taiwan's investment, production layout, and actual trade operations following the U.S.-China trade war. In this reshuffling of global supply chains, some Taiwanese companies have benefited from the orders shifted from China. Some of the examples are networking and communication equipment, low-to-mid-end bicycle parts, and components.

Impact on Collaboration in Supply Chains

China has been ramping up its efforts to foster its own red supply chain by supporting its domestic industries with considerable government subsidies after Taiwan became an integral part of its supply model. The supply cooperation between Taiwan and China has changed from a complementary vertical division of upstream to downstream to a competitive relationship in the same horizontal level in recent years. The comparative advantage of Taiwan's collaboration in the global supply chain is therefore being challenged by the emergence of the red supply chain.

While a vertical division of labor from upstream to downstream is still the primary practice across global supply chain networks, mass production, which is often part of such operations, can no longer accommodate consumers' needs because of the rapidly changing trade preferences and tech landscape. Product tailoring and differentiation are of crucial importance in this context and were therefore incorporated into the existing horizontal division of labor model. Specifically, while countries that produce at the same level of this labor division model might build the same product and thus are seemingly without the need for exchange between them, they might still trade with each other as their respective products are differentiated. In order to gain the agility to respond quickly to shifting market preference, this practice, called "intra-industry trade," (IIT)⁷ is necessary. IIT is relatively common in an incomplete market.

The global scale of intra-industry trade has been expanding constantly, indicating the growing importance of product differentiation in the horizontal division of labor. The Asia-Pacific region follows this model to seek technology transfers and investments from developed countries. Based on a vertical division of labor in goods, Taiwan is exploring differentiable products by developing flexible production flows. Through mutually beneficial investments, exchange of talent, and technological connections, Taiwan has been establishing industrial cooperation ties with developed countries to stay on top of the trends for horizontal collaboration and respond to changes in the international economy. This shift from a vertical international specialization in division of labor towards differentiation based on a horizontal collaboration adds to the challenges from the U.S.-China trade war and new consumer behavior post-pandemic faced by Taiwan in the adjustment of its industrial structure.

Regionalization and Shortening Global Supply Chains

The most obvious change in the global value chains is the shift from high-volume manufacturing to customization for the consumer market. In addition, driven by digitalization, consumers have started to demand customized products.⁸ The traditional system of specialization and division of labor cannot accommodate such demand in a timely manner. Thus, companies have become proactive in the planning of global production activities. Suppliers must construct a value chain system to quickly respond to consumers' needs to enhance competitiveness and achieve product differentiation. This has triggered relocation of the supply chain towards specific regions or countries. This change has been accelerating amid the COVID-19 outbreak, which delivered an economic headwind to consumer markets in the U.S. and Europe, where retailers suffering heavy losses. Orders with contracted manufacturers in Asia were therefore cancelled, leading to massive layoffs and unemployment in the Asian countries.

This trend is irreversible, and it will most likely continue even in the post-pandemic era. European and U.S. brands believe that they have been over-reliant on cost efficiency and outsourcing production to Asia and ignorant of the risks associated with production concentration.⁹ Going forward, they will pursue local production by setting up supply chains in their own region. For instance, supplies to the European market will be shifted to nearby countries such as Turkey, Eastern Europe, and North Africa. The production lines for the U.S. market will be relocated to adjacent countries in the Americas. The combination of supply chain reshuffling and regionalization will come as a shock to Asian countries, which are highly reliant on profits brought by outsourced manufacturing in inter-regional trade.

Diversification from China and Shortening Global Supply Chains

China has undoubtedly become a major global player in trade as a supplier and as a market. Given the transformation towards regionalization and "desinicization"¹⁰ in supply chains networks, the U.S. and European countries will turn to trusted strategic partners in specific industries or subject matters (e.g., R&D of key materials, national security) by moving their supply chains to those countries. This will speed up the exodus of the global supply chain out of China. Companies will have to rethink the prior focus on cost reduction and mass production, as these approaches had resulted in overreliance on China as the singular manufacturing base. Such reliance has made heavy losses in the event of crises inevitable throughout the supply chains given that the networks are highly specialized and

interdependency from upstream to downstream around the world is immense. To avoid overreliance on the “Made in China” program or to prevent more losses due to chain disruption, Japan,¹¹ Europe,¹² and the U.S.,¹³ are all encouraging their companies to move out of China via different policies or laws or prohibiting China’s targeted corporate shopping sprees during the pandemic. For instance, Japan allocated a budget of approximately 243.5 billion yen to assist Japanese companies to relocate manufacturing from China.¹⁴ Its policy also aims to encourage high-value-added manufacturing to reshore to Japan and to relocate labor-intensive production lines to Southeast Asia. As these G7 member countries grow wary of China, both governments and corporations in these countries have expressed their intention to accelerate desinicization in their global supply chains.

The resilience of supply chains has become a critical concern in the wake of the pandemic. The combined impact of the U.S.-China trade war and this new focus on building resilient supply chains is reshaping the network design. Characteristics and structures of industry would be key considerations for supply chain optimization. The pandemic has prompted companies to strengthen their strategies on risk diversification in both investment and trade, with a focus on tightening information security as well as searching for alternative production bases. Companies will urgently accelerate their digitization to allow more flexibility for production flow control, manpower allocations, and distribution logistics. This will also involve facilitating the diversification of supply chains to spread risks and reduce risk impact. The logic of risk diversification will greatly affect facility location determination in the post-pandemic future. Except for China, the rest of Asia will most likely usher in a new round of investment as companies gravitate to Asian end-markets when redesigning their supply chain layout. While cost reduction used to be a dominant consideration for production planning, the disruption from the pandemic has shown that a multi-core supply network calibrated to minimize risk exposure is strategically more important. In this light, we predict that an intricate production network formed by shorter and more regionalized supply chains in Asia will slowly emerge.

The Implications for Taiwan’s Semiconductor Industry

After the tit-for-tat tariff game between the U.S. and China, the U.S. government started to sanction Chinese tech companies in 2020. In May, the U.S. Department of Commerce tightened the export rules by stipulating that permits are required for supplies to Huawei and other companies on the Entity List of foreign companies who use any semiconductor technology and equipment from the U.S. In August, the U.S. extended restrictions on Huawei access to technology by prohibiting third-party foreign companies that have been developed or produced with U.S. software or technology to supply Huawei without US permission. In December, the Department of Defense further designated Semiconductor Manufacturing International Corporation (SMIC) as owned and controlled by the Chinese military. Consequently, SMIC was banned from using American technology, and a gap in foundry capacity therefore emerged.¹⁵ Meanwhile, the demands of remote schooling and working amid the COVID-19 pandemic have pushed the market for personal computers,¹⁶ gaming devices,¹⁷ and smartphones¹⁸ to its strongest growth in recent years. This is the same for the semiconductor market—demand soared to the point where production could not keep pace with it, causing a global chip shortage.¹⁹

The shortage hit the auto industry particularly hard. In early 2020, carmakers had to curtail production of vehicles and cut back on orders for chips accordingly. While the demand for cars revived in October 2020, carmakers are still feeling the pain of a global chip shortage as semiconductor supply chain capacity has been fully booked by manufacturers of electronic or computer devices, who tend to be more lucrative customers than automakers are. The automobile industry requires a large variety of semiconductor chips, from parking sensors to ones used for emission reduction.²⁰ Toyota, Ford, and Volkswagen suspended production due to the silicon shortage.²¹ Leading car manufacturing countries worldwide have consequently realized that the negative impact of this shortage on the recovery of their auto industries as well as overall economy is alarming. The importance of the semiconductor industry in Taiwan therefore stood out to Japan, the U.S., and Germany, with the governments approaching semiconductor companies in Taiwan to ask for increased supply.²² U.S. President Joe Biden also ordered a comprehensive security review on the supply chain of key products to address problems brought by the lack of supply chain resilience, seeking cooperation with trusted allies to develop responsive strategies.²³

Governments around the world have all learned a lesson from U.S.-China tensions, the auto industry's pleas, and the disruption that led to severe chip shortages—building their own semiconductor industry in order to strengthen supply chain resilience has become a priority on the policy agenda. Given the capital-intensive nature of the chip industry, companies in Europe have been cutting back on capital expenditures required for new production lines and outsourced manufacturing to semiconductor foundry companies in Asia since 2000.²⁴ Now, 80 percent of the world's chips are produced and supplied in Asia. Europe and the U.S., instead, focus on the design and development of cutting-edge semiconductor and state-of-the-art chipsets.²⁵ This was the backdrop of the existing division of work and cooperation in the global semiconductor supply chain networks.

Countries worldwide now consider the semiconductor industry an essential part of national strategy. Europe and the U.S. are seeking to build their own chip arsenals and, for the purpose of national security, encouraging semiconductor giants to invest in the U.S. This indicates a coming change in the division of labor in this industry, which transformed from the highly efficient model of vertical international specialization to the development of a new horizontal division of labor via technological cooperation within strategic alliances.

The battle between the United States and China over tech supremacy, the shortage of automobile chips, and the impact of the COVID-19 pandemic all have exposed Taiwan's key role in the chip industry's complex ecosystem. The supply constraint has increased the bargaining power of major Taiwanese semiconductor companies. As the pandemic fueled demand for advanced chips to power electric devices, Taiwan's semiconductor industry is expected to be continuously boosted by considerable orders from around the world.

Advantages for Taiwan in Shifting Global Supply Chains

Leveraging the unique opportunity of adjustments to global supply chains and the reshaping of the international economic order, industries in Taiwan are working to strengthen their relations with producers and suppliers to solidify their status and influence across global supply chains. TSMC's mid-to-downstream customers continue to deepen cooperation

with TSMC because of its highly competitive advanced processes. Likewise, the U.S., Europe, and Japan all expressed an interest in collaboration with TSMC as such connections with the semiconductor titan are expected to boost technological competitiveness. For the U.S., this could further enhance its chance of winning the battle for leadership in core technologies with China.

Taiwan has developed one of the most comprehensive semiconductor ecosystems in the world. It is highly competitive in advanced processes, testing and packaging, and chip design. Science-based industrial parks also play an important role in the pursuit of cluster effects and integration. As electrification, automation, and artificial intelligence are driving the development of the automotive industry, the demand for auto semiconductors and electronics is set to rise significantly. The commercialization of 5G will create a case for connected cars. In addition to outsourcing orders from international auto semiconductor makers, Taiwan's semiconductor manufacturers of foundry, fabless, integrated circuit design, and testing and packaging are also gaining traction in the auto segment, striving to stay on top of future development and business opportunities.

The tension between the U.S. and China, the impact of COVID-19, and the explosive demand from technological advancement such as the Internet-of-Things and 5G, have shown that semiconductors are not merely electronic components. Instead, it is a strategically valuable industry that countries worldwide are racing to build. The policy focus, which previously centered around vertical international specialization in division of labor and production efficiency, has now turned to national security concerns as well as economic and political stability. This shift is reshaping the landscape of the global semiconductor industry. TSMC in 2020 announced it would set up leading-edge production in the U.S. by building a 12-inch plant in Phoenix, Arizona, which is scheduled to ramp up 5nm production in the first half of 2024.²⁶ This is an important step that marks the advancement of Taiwanese semiconductor industry's global roadmap. TSMC's decision is also beneficial to supply chain cooperation between the U.S. and Taiwan.

Taiwan's Supply Chains in the New International Collaboration

With strong support from the government's foreign trade policies in the 1980s, Taiwan successfully achieved spectacular growth through economic liberalization and integration into the international trade order. Harnessing abundant capital to develop capital- and technology-intensive industries such as electronics, information, and machinery, Taiwan enjoyed rapid growth in the information and communications technology (ICT) industry, which has been a driving force of Taiwan's economic development. In the context of academic theories, Taiwan was one of the main beneficiaries of the international division of labor in the Heckscher–Ohlin model.²⁷

The cross-border mobility and vertical specialization in the ICT industry were further amplified by globalization and international trade. This sped up the effect of international factor price equalization,²⁸ and some of the related occupations consequently declined in developed countries. This refined international system of division of labor also diminished the past advantage in production cost for some companies, increasing the likelihood for them to be replaced as competitiveness diminishes. Even countries playing pivotal roles in

supply chain networks may suffer a tech exodus involving the loss of key technologies, R&D activities, and profits, as low-cost labor pools in distant countries may be a better choice for building production sites based on the logic of international division of labor.

The U.S. is among the most affected countries by this trend. To maintain its advantage in the international production chain, former U.S. president Obama in 2012 sought to revive manufacturing by encouraging companies to reshore to the US.²⁹ His successor, President Trump, further initiated a trade war to challenge China's unfair trade practices. The rivalry has continued under the Biden presidency—the administration has announced that it will not immediately remove tariffs on imports from China, and it seeks to unite like-minded countries to curb Chinese influence.³⁰ Meanwhile, China is gradually transforming from its role as the world's factory to a domestic-consumption driven economy with import substitution policies.³¹ China's increasingly sophisticated supply chains have also achieved economies of scale.

With the U.S. and China continuing to compete for dominance in international trade, Taiwan's role and profitability in the legacy system of vertical collaboration will gradually shrink. This is a deep concern for industries in Taiwan, making it necessary to keep up with key trends in the new global collaboration system across supply chains by: 1) diversifying its supply chain footprints to reduce risk; and 2) speeding up digital transformation and smart manufacturing.

Both Taiwan and China's roles in supply chain networks will change in the foreseeable future. The long-standing mechanism of labor division between the two, where Taiwan takes orders, China produces, and the U.S. consumes, will most likely decline. On the other hand, the growing interconnectivity and complexity of global supply chain networks have increased the vulnerability of countries worldwide. As a result, supply chain resilience is now at the top of the task list for everyone in the post pandemic era.

Acceleration of International Supply Chain Reshuffling and Diversification of Risks

The virus outbreak, which originated in Wuhan, shut manufacturing facilities for an extended period.³² China's dominant role as the "world's factory" means that any major disruption puts global supply chains at risk. Countries that used to rely on enormous imports from China suffered the most from such disruption. Therefore, the trend of "desinicization," as an element of efforts to diversify supply chains, has accelerated. The U.S.-China trade war has also triggered global supply chain transformation. After the U.S. and China reached the first-stage trade agreement, some Taiwanese companies also adjusted their product roadmap and planning. There's a sizeable exodus among Taiwanese businesses in China, with some of them reshoring to Taiwan for manufacturing high-end tech products and advanced bicycles. Traditional industries are also adjusting production lines—many moved to emerging markets outside of China. In sum, forward-looking strategies are required for the development and transformation of industries in Taiwan post COVID-19.

Faster Digital Transformation and Marching Towards Smart Manufacturing

In general, most companies have taken preliminary steps to apply new technologies to precisely control production, inventory, and shipments in order to improve operations and boost efficiency. However, this is still in an early stage in digitalization. COVID-19 has prompted companies to speed up digital transformation, changing the long-term planning of industrial structure in Taiwan. Remote working, video conferencing and staggered patterns have been implemented on a large scale to prevent the spread of the virus. This has boosted the demand for notebooks, monitors, networking and computer equipment (e.g., webcams), video surveillance systems, etc. Business operations and work models are expected to be more flexible post-pandemic. The growing penetration of new technologies, such as cloud computing, video conferences, and file sharing, will enable companies to reduce operational costs and to boost employee productivity and work flexibility.

Roadmap for the Future of Industrial Development in Taiwan

New Connections, New Opportunities

Companies that produce in China have started to rethink their manufacturing strategy following the slowdown of Chinese domestic consumption and the U.S.-China trade war. The longstanding “triangular trade relationship” between Taiwan, the U.S., and China could therefore break down gradually. Instead, there are signs that Taiwan’s direct exports to the U.S. as the end market have been growing rapidly. Going forward, Taiwan should strive to play a more integral role in the supply chain network that connects developed countries and focus on value-added economic activities. This will ensure that Taiwan plays a vital role in the new Asian-Pacific value chain order. Through R&D, talent, investments, industrial cooperation, and international exchange with developed economies, Taiwan will be able to boost its competitiveness and anchor a key position in international value chains. In addition, Taiwan should reinforce its connections with Southeast Asian markets by moving production out of China and into other parts of Asia.

New Business Opportunities for Restructuring Supply Chains

Digital economy, technology innovation, and export of innovative services have become the source of export competitiveness. Faced with the challenge of the global supply chain reshaping, Taiwan should seize business opportunities associated with new supply chains through digital transformation and technological innovation. This encompasses new production models, new consumer products, and new supply systems. Taiwan can secure a key position in cross-border value chains for its export industries by leveraging its advantage in ICT hardware manufacturing. This will drive innovation throughout the value chain and upgrade the division of labor. Industries in Taiwan will be able to export the integration of hardware, software, and systems to enable smart technology applied in different domains (e.g., smart medicine, smart energy, smart homes, and smart transportation). The creation of innovative platforms will enable duplication of successful applications and experience from Taiwan’s domestic market to foreign markets through building demonstration sites to share the Taiwan model.

Supply Chain Security Against the Backdrop of Digital Transformation

Given that the interdependence within supply chain networks could potentially create an attack surface for adversaries to probe, there has been growing concerns over international cooperation and threats it may pose to national security among developed countries. In this light, products from Taiwan should have clear segmentations in quality, technology, and sales across different supply chains, particularly when it comes to ICT and national defense. On top of that, as the omnipresence of digital transformation is poised to reshape the way all organizations operate, Taiwan should tap into its strong capacity in manufacturing high-end ICT key components to develop its information security industry. These efforts would strengthen Taiwan's technological leadership in the area of cloud computing, mobilization, Big Data, and artificial intelligence and become critical to networking and information security.

Conclusion

Amid the global reshuffling of supply chains, triggered by the pandemic and the U.S.-China trade war, companies should seek to diversify supply chains to avoid long-run risks such as production disruptions caused by public health crises. Taiwan should seize the opportunity to adjust its economic structure, accelerate industrial transformation, encourage its businesses to reshore, create blueprints for forward-looking industries, and develop high-caliber R&D and managerial talent. In terms of the supply chain, Taiwan should actively seek collaboration with developed countries in different levels of technological production, particularly in the R&D area. It should also expedite the relocation of production sites to the targeted countries of the New Southbound policy and build better connections with these countries in order to speed up Taiwan's industrial structure upgrade.

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COVID-19, Supply Chains and Dependence on China: The Indian Perspective

Amitendu Palit

China is India's largest source of imports, nearly 15 percent of which are sourced from China. Many of India's major imports—electrical machinery, electronic and semiconductor devices, fertilizers, antibiotics, iron and steel products, and vehicular parts—are extensively sourced from China. The outbreak of the COVID-19 pandemic highlighted the critical dependence of India's pharmaceutical industry on China for active pharmaceutical ingredients (APIs). The dependence on China for both intermediate and finished products, has encouraged India to incentivize greater production at home through production-linked-incentives (PLIs) and to work with Japan and Australia on reorganizing regional supply chains. The paper examines the repositioning of supply chains in the strategic industry of pharmaceuticals. Efforts to reduce dependence on China assume great importance in this regard as India strives to become the leading supplier of affordable vaccines for tackling COVID-19.)

The decade of the 2020's has begun with India embarking on the dedicated mission of reducing import dependence and increasing self-reliance. The COVID-19 pandemic has starkly exposed the frailties of supply chains relying heavily on China. For India, which relies extensively on China for several critical imports, no sector is more vulnerable to disruptions from over-dependence than its pharmaceuticals. India's reputation as the "pharmacy of the world" drawn from its great proficiency in making affordable pharmaceutical formulations and vaccines, relies fundamentally on sourcing essential drug intermediates from China. As one of the leading actors in the world's fight against COVID-19, India is wary of sourcing disruptions from China affecting its ability to contribute to expanding global health security.

After focusing on the import dependence of India's pharmaceutical industry on China, this paper analyzes the recent initiatives announced by India for increasing economic self-reliance and reducing such dependence. It concludes by reflecting on the prospects of India decoupling from China in sourcing pharmaceutical ingredients.

Indian Pharmaceutical industry's Import Dependency on China

With total bilateral trade constituting nearly \$82 billion from April 2019 to March 2020, China was India's second largest goods trade partner for the year after the U.S., with which India's trade was \$89 billion. Despite the totals with both differing by only a few billion, the character of the bilateral trade is markedly different. During 2019-20, India ran a trade surplus of \$17.2 billion with the U.S., in stark contrast to its \$48.6 billion trade deficit with China.¹

India's extensive trade with China is primarily driven by imports, a persistent concern for its policymakers for the past several years, since high import dependence constrains India's ability to respond effectively to an assertive China. Rapid deterioration in geopolitical relations between the two countries last year, soon after the outbreak of COVID-19, heightened such fears, leading to comprehensive efforts by India to reduce import dependence on China.

China accounts for nearly 15 percent of India's total imports, far more than the shares of the European Union (8.9 percent) and the U.S. (7.3 percent).² China's preeminence as a source for imports is notwithstanding the fact it is not a major exporter of crude oil or gold, which are India's largest imports. Its prominence is striking in the leading non-oil, non-gold

imports by India, a look at which (Table 1) reveals that China's share was at least one-third of the total imports for all categories. In four of the top ten—diodes, transistors and semiconductor devices, heterocyclic compounds with nitrogen, antibiotics, and electric accumulators—China accounts for more than half of India's total imports. Imports of antibiotics and heterocyclic compounds with nitrogen reflect China's share of 76.3 percent and 69.0 percent, respectively, highlighting India's high reliance on pharmaceutical imports from China.

	Import	HS Code	Share (%)
1	Electrical apparatus for line telephony/telegraphy	8517	42.8
2	Automatic data processing machines and units	8471	47.0
3	Electronic integrated circuits and micro-assemblies	8542	32.0
4	Diodes, transistors, and semiconductor devices	8541	63.4
5	Minerals/chemical fertilizers	3105	45.3
6	Heterocyclic compounds with nitrogen	2933	69.0
7	Antibiotics	2941	76.3
8	Electric accumulators	8507	59.0
9	Reception apparatus	8528	43.2
10	Electrical transformers	8504	37.5

Note: The HS Codes for imports are at the 4-digit level of tariff classification. The data are for the year 2018-19.

Source: Export-Import Data Bank (Annual), Department of Commerce, Ministry of Commerce and Industry; Government of India.

Antibiotics & Heterocyclic Compounds

India is among the largest antibiotic importers of the world. During the last decade (2010-2019), India's antibiotic imports, as a proportion of total global antibiotic imports, increased from 6.6 percent to 10.8 percent.³ During 2017-2019, its annual antibiotic imports were more than \$1 billion, making it the second largest antibiotic importer in the world, after Italy. India's annual antibiotic imports are higher than those of the U.S., China, and several other major pharmaceutical exporting countries from Europe (e.g. Germany, France, Belgium, Switzerland).⁴ China is the most important source of India's antibiotic imports.⁵

Heterocyclic compounds—India's other major category of pharmaceutical import from China—also reflects a rising share of India in global imports. During the last decade (2010-2019), India's share in global imports increased from 0.9 percent to 2.3 percent.⁶ Unlike antibiotics, where India is among the world's largest importers, it is not among the world's top ten heterocyclic compound importers. While its imports were as much as \$2 billion in 2019, they were much less than those of Germany, the U.S., China, and several other European countries.⁷ However, India's reliance on China for heterocyclic compound imports too is striking.⁸

India's high antibiotic and heterocyclic compound imports from China need to be looked at in the context of it emerging as a prominent global pharmaceutical exporter. India's share in global pharmaceutical exports nearly doubled from 1.4 to 2.6 percent during 2010-2019.⁹ It has been on the verge of breaking into the club of top ten pharmaceutical exporters with current exports of more than \$16 billion.¹⁰ India is the only developing country, and Asian economy, to catch up with the world's top pharmaceutical exporting nations comprising the U.S. and high-income OECD economies from Europe. India's performance has been even more notable as a producer and exporter of vaccines. During the last decade, India rapidly expanded its share in total global vaccine exports from 0.8 to 3.9 percent. The near five-fold increase has resulted in India becoming the 7th largest exporter of vaccines.¹¹

India's rising significance as a global pharmaceutical exporter, along with concomitant increases in its antibiotic and heterocyclic compound imports, points to the importance of the latter in India's pharmaceutical supply chain. Antibiotics and heterocyclic compounds are bulk drugs used as active pharmaceutical ingredients (APIs)¹² for making final formulations sold as medicines—pills, capsules, or other final dosage forms—to consumers. The largest chunk of India's pharma exports is finished dose drug formulations and biologicals (e.g. vaccines)¹³ meant for retail sale.¹⁴

Heterocyclic nitrogen compounds include carbon and nitrogen in their molecular structures and have extensive therapeutic use, including applications in pharmaceutical research and drug discovery, antibiotic formulations, as well as in anti-cancer, anti-inflammatory, and anti-viral drugs. Nearly 70 percent of India's imports of these pharmaceutical inputs are from China. For antibiotics, the reliance on China is even more with some specific antibiotics—penicillin and its salts, and 6-APA (a chemical compound, used as semi-synthetic penicillin with anti-bacterial and pharmacological characteristics, including that of an allergen)—being imported from China by more than 90 percent, or even 100 percent, of their total imports.¹⁵

Medical Devices

In addition to bulk drugs, India's import dependence on China extends to products that impact the prospects of its healthcare and overall pharmaceutical industry. Of particular importance in this regard are various medical devices. After the U.S., China is the second largest source of India's imports of medical devices, personal protection equipment (PPE) used by healthcare staff in treating the infected, as well as some essential medical supplies. Demand has been high in these areas due to COVID-19. Among these critical products, items for which China is the largest source include humidifiers, flow-splitters, patient monitors and pulse oximeters, chlorine, medical masks, hand sanitizers, protective goggles, aprons, medical headwear, and protective clothing.¹⁶

It is obvious that the Indian pharmaceutical and healthcare industry's dependences on imports from China are broad-based, including those required by medicine producers as intermediates in the supply chain, as well as items meant for end-use by consumers and frontline healthcare professionals as final products. Overcoming such dependence is a formidable challenge.

Reorganizing the Supply Chain

The Indian pharmaceutical industry's import dependence on China, and the vulnerabilities arising therefrom, were clearly visible during the disruptions experienced after COVID-19. As import supplies were interrupted due to a production lockdown and worker quarantine in Wuhan—the hub of bulk drug production in China—Indian pharmaceutical firms began to worry about their ability to supply medicines to consumers. With inventories of imported raw materials shrinking, the urgency of locating alternative sources of APIs and drug intermediates led to high proactivity on initiatives for reducing dependence on China. These subsequent efforts include domestic policies for encouraging higher local production of APIs, drug intermediates, and essential raw materials, and collaboration with other countries for building multi-country partnerships to reduce import dependencies on China.

Domestic Initiatives

The Indian pharmaceutical industry is not alone in its dependence on China for obtaining APIs. China is the world's largest producer of APIs, following the conscious decision of major pharmaceutical formulation producing countries to gradually offshore more and more production of drug intermediates and raw materials to cheaper locations. For more than two decades now, the global pharmaceutical industry, dominated by large pharma businesses from the U.S. and Europe, has been following lean manufacturing practices by reducing production of APIs and expanding capacities for making final formulations. They are largely sourcing APIs from China.¹⁷ Backed by a host of favorable factors, including access to cheap capital, low cost of raw materials, and ability to produce large volumes quickly, China has emerged as the undisputed global leader in production of APIs.

Similar to their counterpart firms in the U.S. and Europe, Indian pharma has found imports from China indispensable. India does not produce enough APIs locally. High production costs arising from poor infrastructure, the large burden of regulatory compliance, lengthy environmental clearances, and inadequate government support, disincentivize local production of APIs and drug intermediates.¹⁸ As a result, for Indian medicine makers, who have developed great proficiencies at the downstream end of the pharma supply chain in producing formulations and exporting to global markets, cheap API imports from China are essential. Intermediate imports from China, combined with home-grown ability in using these efficiently in formulations, have been the recipe for India's rapid growth as a major global manufacturer of generic formulations. India is currently the world's largest exporter of them, while being one of the foremost producers of formulations, both in volume and by value.¹⁹

At a time when the world is looking forward to large supplies of vaccines, and other preventive medicines from India for fighting COVID-19, it is essential for India to ensure its domestic producers are not affected by supply disruptions. An important policy for minimizing such disruptions has been to incentivize local production of APIs. The policy, including the financial incentives for encouraging local production, has been spelled out in the production-linked-incentive (PLI) scheme announced for pharmaceuticals.²⁰

It must be noted, though, that incentives announced for encouraging local production of import substitutes are not limited to pharmaceuticals. The PLI package for pharma is among similar schemes announced for several manufacturing industries deemed strategic and essential for advancing India's overall industrial prowess and reducing dependence on imports. Other than pharmaceuticals, industries being incentivized include automobiles, electronics, textiles, food processing, mobile phones and telecom equipment, solar photovoltaic, modules, chemical batteries, steel and "white goods" (e.g. air-conditioners).²¹ Most of these industries depend critically on imports from China, which is evident from India's topmost imports from China (Table 1). Reducing import dependence on China has been the key driver behind India's efforts to financially incentivize local production under the rubric of the overarching initiative of *Atmanirbhar Bharat*, i.e. an economically self-reliant India.

Self-Reliance and Economic Incentives

While the production lockdown in China after COVID-19 disturbed supply chains almost all across the world, for India, the worries were not just confined to economic anxieties. Concerns begun mounting over the economic dependence on China leading to loss of strategic options in responding to Chinese military aggression on its borders. Alongside the spread of COVID-19, India's relations with China dipped to their lowest in several decades with their militaries clashing on the disputed border in the high Himalayas, leading to the loss of several lives in June 2020.²² The combination of economic dependence and geopolitical friction produced the call for self-reliance from a government searching for solutions to push back China. COVID-19 and concomitant supply chain disruptions provided an unexpectedly conducive context for encouraging domestic production of import substitutes.

Championed by none other than Prime Minister Narendra Modi,²³ *Atmanirbhar Bharat* expands and accelerates the Modi government's flagship initiative of "Make in India" by providing state support for financing import-substitution. While erecting tariff barriers for "encouraging" domestic production, the policy actively encourages private and foreign investments for creating new production capacities by offering financial incentives through PLIs for strategic industries.

Connecting firmly to the self-reliance agenda, Finance Minister Nirmala Sitharaman described the goal of PLIs to "create manufacturing global champions for an *Atmanirbhar Bharat*" in her latest budget speech delivered on February 1, 2021.²⁴ The goal is being implemented through aggregate financial support of INR 2 trillion (\$275 billion), for 13 strategic manufacturing industries including pharmaceuticals, for a period of 5 years beginning from 2021-22. The allocation is supported by the announcement of bold economic reforms for attracting new investments. The reforms include changing outdated labor legislation, freeing up agriculture markets from government control, and implementing an aggressive strategy for privatizing state-owned enterprises, including government-owned banks and insurance companies.

The PLIs and investor-friendly reforms, packed together in the vision of an economically self-reliant India, reflect unusual energy and commitment to attract new investments for increasing domestic production and reducing dependence on imports. Major manufacturing investments from the U.S., Japan, Korea, and France are being targeted.²⁵ Initial responses from global manufacturers such as Apple and Samsung are encouraging,²⁶ as are the ecommerce giant Amazon's plans to manufacture television streaming devices in India.²⁷

Most foreign investments, so far, appear to be moving into the electronics and semiconductor industries. This is unsurprising as, like China, India holds comparative advantages in the more labor-intensive segments of the electronics supply chain, i.e. in assembling, configuration, and testing.²⁸ Global firms in these industries that are looking to shift the assembling segments of their supply chains out of mainland China would certainly look at India and Vietnam as prospective alternatives. India's announcement of PLIs encourages these shifts. Whether such shifts would take place in pharmaceuticals too is still unknown.

Localizing Production through New Investments

The PLI scheme for pharmaceuticals notes its goal is to “attain self-reliance and reduce import dependence in critical APIs.”²⁹ By attracting new investments for producing APIs and drug intermediates, the scheme hopes to reduce India's current reliance on imported intermediates. The specific focus is on expanding production of 53 heavily import-dependent APIs (see Annex).³⁰ The import-dependency, needless to say, is heaviest on China.

Financial support for the producers of the identified items would be provided on the basis of sales for up to six years. The total support for the scheme is INR 694 billion (\$9.6 billion approximately). The financial support will differ according to the nature of the technology employed in production. Items produced through a fermentation-based process are being incentivized for 20 percent of sales for the first four years, followed by 15 percent and 5 percent in the next two years. For chemical synthesis-based products, the incentive is at a uniform rate of 10 percent of sales for all six years. The difference in the proposed payout is arguably for supporting investors of fermentation-based processes, for the longer time taken by their capacities to begin production, and generate revenues.³¹ Capacities in fermentation-based processes are essential for reducing dependence on China. Industry reports indicate that for several critical antibiotics, India's high import dependence on China is due to large capacities of Chinese producers in fermentation boilers, enabling bulk production of these items.³²

The PLI scheme has attracted investors. Five investment proposals worth INR 376 billion (\$5.2 billion) have been approved. These include proposals for producing fermentation-based APIs such as Penicillin G and Erythromycin, for which India relies entirely on sourcing from China.³³ The proposals, however, are all from domestic investors. Whether foreign investors would be keen on funding fresh pharmaceutical ingredient-making capacities will be revealed over time.

Foreign investors might be keener on investing in India through the “brownfield” route of acquiring assets of existing Indian firms, rather than the “greenfield” route of establishing capacities through new projects. Indian authorities prefer the latter given their uneasiness over the prospects of successful Indian generic formulation companies being taken over by foreign firms, particularly Chinese businesses.³⁴ Foreign investments in brownfield pharma projects in India are subject to restrictive conditions such as maintaining minimum production of essential medicines for domestic consumers, pre-specified R&D expenditure levels, and compliance conditions for transfer of technology.³⁵ Moreover, investors also have to comply with government-determined pricing policies for sale in the domestic market. The conflicting perspectives might hinder large foreign investments in India's pharmaceuticals, particularly API production.

Prospects for foreign investment appear brighter in medical devices. The sector is not subject to restrictive quantitative or pricing conditions as investments in pharmaceuticals are. The PLI scheme for medical devices notes the problems of poor infrastructure adversely affecting manufacturing competitiveness of Indian producers and aims to encourage new local capacities by incentivizing greenfield investments.³⁶ A similar admission of infrastructure deficiencies and the importance of overcoming these urgently for improving competitiveness of domestic pharma ingredient producers is noted in the PLI scheme for bulk drugs. The scheme is for building new bulk drug parks comprising state-of-art drug testing and processing facilities.³⁷

Bulk drug producing capacities in India are not going to expand overnight. But from the long-term perspective of reducing import dependence on China, the importance of incentivizing domestic output of APIs and medical devices can hardly be overstated. The rollout of the PLI schemes for medical devices and bulk drugs, apart from providing financial incentives, is also an effort to incentivize more local output by reducing the cost of producing in India through more enabling infrastructure and business conditions. The focus on infrastructure in both schemes is an honest admission on the part of the Indian authorities about the infrastructure paucities that continue to impede local manufacturing.

In the long journey that lies ahead for Indian pharma to reduce dependence on China, greater production of import-substitutes is not achievable through financial incentives alone. China's industrial proficiency is the best example of the value of quality infrastructure in encouraging growth of global industrial champions. For India's domestic bulk drug manufacturing industry, good infrastructure is a non-negotiable requirement.

Less Dependence for Greater Security and Strategic Goodwill

It is interesting to note the emphasis on security in India's PLI schemes for pharmaceuticals. The policy for the PLI scheme for manufacturing APIs and intermediates notes: "Any disruption in supply of drugs can have significant adverse impact on *drug security* of the country."³⁸ It further notes: "Drug security of the country is dependent upon our ability to ensure un-interrupted supply of quality bulk drugs and also our capacity to upscale their manufacturing to meet emergency situations. Self-reliance in manufacturing of drugs is, therefore, highly desirable."³⁹ A similar concern over drug security is noted for the scheme for bulk drug parks.⁴⁰

The anxiety over drug shortages from supply chain disruptions, as experienced during the COVID-19 outbreak in China, highlights the urgency in encouraging greater local production and assured sourcing of bulk drugs and intermediates. The problems caused by sudden snaps in supply chains due to an abrupt halt in imports from China were highlighted in a report produced by India's leading industry chamber FICCI soon after the outbreak of COVID-19 in China in February 2020. The feedback from domestic producers pointed to several common APIs (e.g. ampicillin, ranitidine, paracetamol, diclofenac sodium, ibuprofen) used widely in several formulations having inventories of only a few weeks.⁴¹

At the beginning of an entirely unknown pandemic with little idea on its treatment and spread, the knowledge of low stocks of ingredients for producing essential medicines, would have been a shock for Indian medicine producers and the government. The push on “self-reliance” in this regard from a national security perspective is understandable. The concern is not different from that voiced by the American Medical Association with respect to the US’s API and generic drug dependency on China.⁴²

The sensitivity attached to the availability of bulk drugs and APIs, and the impact they have on India’s ability to produce medicines, is a concern resonating in efforts to manufacture vaccines. India has leaped to the forefront in the global fight against COVID-19 as a major producer of vaccines. The Serum Institute of India, the world’s largest manufacturer of vaccines, is working with AstraZeneca to produce the Covishield vaccine. The vaccine has been rolled out for domestic use and also been dispatched to several countries, including low-income and small countries,⁴³ fetching India considerable strategic goodwill in “vaccine diplomacy.” India’s capacity for mass production of affordable vaccines was described by the UN Secretary General Antonio Guterres as “one of the best assets the world has today” in a global vaccination campaign.⁴⁴ More vaccines manufactured by other Indian firms, such as Bharat Biotech, have become available for public use. Another Indian pharmaceutical producer, Biological E, will be producing large quantities of the single-shot Johnson & Johnson vaccine in India.⁴⁵

In the race to inoculate millions at home, while at the same time responding to rising global demand for vaccines, India needs to ensure that its pharmaceutical supply chain remains resilient. Ironically, such resilience, at least in the foreseeable future, does not seem feasible by delinking from China. For import of critical ingredients being used in vaccines, such as the Covishield manufactured by the Serum Institute of India, China is India’s largest source, after the U.S. and EU.⁴⁶ The reliance on China in India’s medicine supply chain is likely to persist in the foreseeable future.

In the context of drug security and public health concerns, the dependence on China has led to initiatives such as the PLI scheme for building new local capacities for bulk drugs. However, until such capacities actually exist, the concern from over-dependence on imports from China raises a larger anxiety; might China use its economic clout for geopolitical leverage? India is not alone in experiencing this discomfort. The concern resonates among major countries in the Indo-Pacific region.

External Initiatives

Japan and Australia have combined with India to announce the Resilient Supply Chain Initiative (RSCI), which, as jointly spelled out by the trade ministers of the three countries on September 1 2020, emphasizes regional cooperation for increasing the resilience of supply chains in the Indo-Pacific,⁴⁷ and it calls upon other regional countries sharing similar convictions to join the initiative.

All proponent countries of RSCI were heavily affected by disruptions in sourcing from China following the stringent lockdown in Wuhan, and many other parts of China.⁴⁸ While concentration of sourcing in a single location had shown even earlier the disruptions that can be experienced by supply chains, the COVID-19 pandemic exposed the huge scale and depth of economic damages that can arise from high dependence.⁴⁹

Japan, Australia, and India have organic economic relations with China. While being the largest trade partner of Australia and Japan, China is India's second largest trade partner after the United States. China is the largest market for Australia's exports, and the largest source of its imports.⁵⁰ It is the second largest market for Japanese exports, while being the largest source of its imports.⁵¹ Finally, it is India's fourth largest export market, while being the largest source of its imports.⁵² The reliance makes all three heavily vulnerable to the risk of facing domestic shortages if supplies from China are interrupted.

Mounting concerns over supply disruptions caused serious anxieties in Asia and the proponent countries of RSCI after COVID-19. The concerns ranged from difficulties in accessing urgent PPE⁵³ to a large range of essential intermediates and consumer goods. The economic concerns were compounded by geopolitical anxieties as the onset of COVID-19 corresponded with escalation in geopolitical tensions with China for all three countries. As India's relations with China dropped to an unprecedented low after the border clash in June 2020, Australia's relations with China deteriorated over a bitter trade war, while Japan's ties with China were complicated over claims around disputed islands. Antagonism with China increased further as Japan and Australia came out in support of the US and other Western nations in demanding an independent inquiry by the WHO into China's role in the origin of COVID-19.⁵⁴

Economic anxieties coupled with geopolitical tensions led to the imperative of decoupling supply chains from China. The urge was driven by the specter of an aggressive China weaponizing economic dependence for strategic advantage.⁵⁵ RSCI is a geopolitical initiative, whose success in encouraging businesses to shift production from mainland China would diversify sourcing and spread out business risks arising from overdependence on a single source. The outcome would also enable greater strategic leverage for Japan, Australia, and India in responding to an assertive China. The RSCI's mention of the Indo-Pacific in its construct is reflective of the effort of its proponents to spread the message of diversifying risks, and mitigating geopolitical tensions, across the Indo-Pacific geography.

The RSCI's ostensible objective of securing multi-country collaboration for protecting supply chains is not inconsistent with the emphasis on firm-specific collaboration, considered vital for assuring resilience of supply chains. Unanticipated natural calamities (e.g. the Fukushima tsunami and Thailand floods mentioned earlier) and far-reaching socio-political disruptions (e.g. Arab Spring) have variously disturbed global supply chains. The academic literature on supply chain management has widely noted the uncertainties in this regard that variously impact firms and businesses.⁵⁶ The literature identifies collaboration among firms, and their decision-makers and information systems, to be of critical importance in overcoming adverse impacts of unforeseen disruptions by making supply chains resilient.⁵⁷ In the context of RSCI, the critical question is whether, what is considered necessary for firms and businesses in a commercial setting, is also applicable in a wider geopolitical context. The ostensible impression in this regard is that proponents of RSCI would encourage their

businesses and investors to collaborate for minimizing risks—a strategy that apart from making supply chains economically resilient would also advance the geopolitical objective of resisting China, as the latter loses the ability to capitalize on economic advantage for strategic gains.

Conclusion

India's PLI schemes for enhancing local capacities for reducing economic dependence on China have been launched with great expectations. The success of the schemes will not be visible for a few years, determined by the inflow of new investments. Financial incentives alone will not be enough for expanding capacities. Serious efforts to improve business conditions and infrastructure for increasing the competitiveness of domestic producers is equally, if not more, important.

For an industry such as pharmaceuticals, where India's long-term commercial prospects and strategic goodwill are intertwined in the pursuit of the overall objective of vaccinating countries and their populations, self-reliance is understandably important. Without assured access to essential ingredients, India's vaccine diplomacy, and reputation of being the "pharmacy for the world" would be impossible to preserve. Currently, though, the objective cannot be achieved without relying on Chinese imports.

India committed firmly to the RSCI with the intention of decoupling from China. The intention was evident in the restrictions it imposed on Chinese investments after recent border clashes, as well as in banning more than 100 popular Chinese apps, such as TikTok and WeChat. Its collaboration with the U.S. and other leading global democracies in keeping Huawei out of the strategic domestic 5G telecommunication spaces is also notable.⁵⁸ But in spite of these efforts, import dependency on China has not diminished. The latest data on India's imports point to China continuing to remain its largest source.⁵⁹

The continuation of the trend hardly lessens India's worries over China exploiting economic dependence for geopolitical gains. This might be the reason behind India recently shifting to a more pragmatic strategy of "doing business" with China by gradually relaxing controls imposed over Chinese investments.⁶⁰ It is noticeable that the shift comes right after both countries decided to implement a purposeful plan of withdrawing their troops from the Himalayan borders for deescalating tensions.

For India, the inevitability of existing with an economically superior neighbor enjoying great advantages as a global producer of essential items, makes decoupling prospects innately hard. This is more so in pharmaceuticals where it will take years before significant parts of the supply chain can be sustained without imports from China. Until then, pragmatism might be the best way forward for sustaining the domestic economy and maintaining regional stability.

Might this affect the prospects of the RSCI? COVID-19 has been a brutal lesson for several countries on the risks run by global supply chains in their excessive dependence on China. The experience will not be forgotten in a hurry. Countries are expected to continue collaborating through RSCI for reorganizing supply chains. Such efforts, however, need to be looked at in the light of businesses being actually convinced to relocate. Initiatives

such as RSCI must note that it is unrealistic to expect businesses to “give up” on China. China’s enormous pull as a global producer and consumer, demonstrated again after its quick turnaround from the setbacks of COVID-19, leave global and regional supply chains “hooked” on China. How initiatives like RSCI proceed in the light of this reality will be interesting to watch.

Annex

53 items for which India is heavily import-dependent⁶¹

- | | |
|------------------------------------|-----------------------|
| 1. Amoxicillin | 29. Losartan |
| 2. Azithromycin | 30. Telmisartan |
| 3. Erythromycin Stearate/ Estolate | 31. Artesunate |
| 4. Ceftriaxone | 32. Norfloxacin |
| 5. Cefoperazone | 33. Ofloxacin |
| 6. Cefixime | 34. Metronidazole |
| 7. Cephalexin | 35. Sulfadiazine |
| 8. Piperacillin Tazobactam | 36. Levofloxacin |
| 9. Sulbactam | 37. Meropenem |
| 10. Dexamethasone | 38. Paracetamol |
| 11. Prednisolone | 39. Tinidazole |
| 12. Metformin | 40. Ornidazole |
| 13. Gabapentin | 41. Ritonavir |
| 14. Rifampicin | 42. Diclofenac Sodium |
| 15. Vitamin B1 | 43. Aspirin |
| 16. Vitamin B6 | 44. Levetiracetam |
| 17. Clindamycin Phosphate | 45. Carbidopa |
| 18. Clindamycin HCL | 46. Levodopa |
| 19. Streptomycin | 47. Carbamazepine |
| 20. Neomycin | 48. Oxcarbazepine |
| 21. Gentamycin | 49. Valsartan |
| 22. Doxycycline | 50. Olmesartan |
| 23. Potassium Clavulanate | 51. Atorvastatin |
| 24. Oxytetracycline | 52. Acyclovir |
| 25. Tetracycline | 53. Lopinavir |
| 26. Clarithromycin | |
| 27. Betamethasone | |
| 28. Ciprofloxacin | |

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- ⁴ During 2017-2019, India's annual antibiotic imports were \$1.1 billion, \$1.4 billion, and \$1.3 billion. While in 2017 and 2019, its imports fell short of Italy's (\$1.2 billion and \$1.5 billion); they were the same as Italy's in 2018. U.S. antibiotic imports during the period ranged from \$0.7-\$0.9 billion, while those of China's were between \$0.5-0.7 billion. Among European countries, Germany's antibiotics imports rose to \$1.2 billion in 2019, while those of France, Belgium, and Switzerland were around half, or less than half of India's antibiotic imports. Source: International Trade Center (ITC) Database.
- ⁵ As mentioned in Table 1, India imported 76.3 percent of its imports from China in 2018-19. As computed from ITC data, India imported 77.3 percent and 80.1 percent of its antibiotic imports from China in 2018 and 2019. The second largest source of antibiotic imports was the U.S., which accounted for much lower shares of 4.2 percent and 2.3 percent, respectively, of the imports for 2018 and 2019.
- ⁶ Computed by author from data in the International Trade Center (ITC) Database.
- ⁷ During 2019, Germany, the U.S., and China imported heterocyclic compounds worth \$16.7 billion, \$12.9 billion, and \$3.3 billion. Most other major pharmaceutical producing European countries—Belgium, Switzerland, Italy, Ireland, France—had imports of \$2.0-\$8.5 billion for the year. Source: International Trade Center (ITC) Database.
- ⁸ During 2018 and 2019, China accounted for 69.1 and 68.9 percent of India's heterocyclic compound imports. The next largest source was Belgium with shares of 1.7 and 3.1 percent. The shares are computed from the ITC Database.
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QUESTIONING THE PANDEMIC'S IMPACT ON THE INDO-PACIFIC: GEOPOLITICAL GAMECHANGER? FORCE FOR DEEPENING NATIONAL IDENTITY CLASHES? CAUSE OF SHIFTING SUPPLY CHAINS?

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