



ESSAY

# COVID-19, US-China Conflict, and Multilateralism in East Asia

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## Abstract

How is multilateralism and regionalism in East Asia coping with the COVID-19 pandemic and economic shocks? This article argues that East Asian countries have shown a high degree of convergence in their approach to the pandemic and the informal institutional arrangements of the region have shown quite a bit of resilience overall. There will be some adjustment to supply chains but not a drastic economic fragmentation. However, the region is also beset with increasing security tensions that are related to the US-China confrontations and hardening of governance in China and the US, in addition to Indo-Chinese tensions. The future will be shaped by this balance of continued resilience and securitization occurring at the same time.

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## Introduction

Taking the world by storm in January 2020, the COVID-19 pandemic has simultaneously triggered the greatest global health threat in decades, the greatest economic recession since the 1930s, and the greatest geopolitical confrontation in the post-Cold war era. The world urgently needs effective multilateralism to respond to the combined health and economic crises, yet the escalating US-China confrontation is thwarting it at the global level. In this context of health, economic distress, and geopolitical risks, how is East Asian multilateralism coping? Is it fracturing or

proving resilient?

The stakes are particularly high for the region that has been at the forefront of global economic growth. East Asia's amazing period of growth, prosperity, and peace over the last three decades has been premised on economic interdependence and a security equilibrium among great powers that have relied on US alliances in the region. Since 1995 or so, East Asia has also seen the rise of China as the economic growth engine and anchor for networks of global supply chains that crisscross the region and the world. In contrast to Europe or North America, East Asia's integration has seen limited institutionalization. COVID-19 and its accompanying



economic and geopolitical corollaries challenge all dimensions of this East Asian model.

Overall, I argue that the early trends for the region are mixed and somewhat paradoxical, combining vulnerability to US-China tensions with intra-regional resilience from its soft institutional arrangements.

On the one hand, the region is buffeted by US-China tensions, which focus particularly on Taiwan, Hong Kong (two economic hubs in the region), and the South China Sea, as well as by the accelerating US-China trade war in the midst of the COVID brouhaha.

On the other hand, the region as a whole has experienced relative convergence in the governance and policy tools used to deal with the COVID-19 pandemic. This approach focused on high reactivity, trust in government, contact tracing (in most of the region), use of high technology, and use of masks (in most of the region) has resulted in a great performance in beating the disease throughout the region (all the way to India so far). The combination of good outcomes and similar policy approaches, in addition to continued support for economic integration and multilateralism, have generated a degree of intra-regional stability. The region has not generated new tensions among key regional players in the midst of the crisis. East Asian multilateral priorities, such as Association of Southeast Asian Nations (ASEAN), Regional Comprehensive Economic Partnership (RCEP), or Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP),

continue to have momentum. The Asian Infrastructure Investment Bank (AIIB) and Asian Development Bank (ADB) have taken parallel paths in providing emergency support for COVID-stricken countries in the region, including India.

In other words, the region is experiencing both dynamics of fragmentation and dynamics of resilience in the face of great disruptions. We can predict a dynamic period among these forces over the coming months. Leadership, interconnections by businesses and people, as well as existing institutions will play a key role in channeling these tensions.

## COVID-19 and the Induced Geo-economic and Geo-political Contexts

What is so unique about the COVID-19 pandemic is the multi-level interactions between the health crisis, the economic crisis, and the geopolitical crisis. It started as a great health risk, especially in the context of globalization and intensified air travel. But given the relatively low mortality of the virus (in contrast to Ebola or SARS or MERS), it should have been manageable with the right international cooperation. However, as it is happening in the midst of the US-China trade war and at a time when the US is turning against multilateralism across the board, COVID-19 has emerged as a perfect storm. It now combines a pandemic, a great economic unraveling, and growing geopolitical tensions of increasing risks by the day. We take these

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2. Source: Osterholm and Olshaker 2017.

3. Sources: Michael T. Osterholm et al. 2020, April 30; *The Economist*, May 4, 2020.

4. <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>.



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three elements in turn.

At the time of writing, COVID-19 has become possibly the greatest global pandemic since the 1918-1920 Spanish influenza (which killed between 50 and 100 Million worldwide out of a population that was a third of what it is now).<sup>2</sup> Between January and the end of May 2020, it has affected over 6 Million cases and killed over 370,000 people. Within a matter of weeks, the disease has shot up to the number 1 cause of weekly deaths in the United States and many other countries, and the second cause worldwide.<sup>3</sup> The numbers are small in comparison to the AIDS epidemic (which killed up to 30 million people) or past epidemics.

The high rate of transmission ( $R_0$ ) through droplets has meant that the only way to stop the disease before a vaccine is ready is through self-isolation and banning of indoors groups of people. The result has been a huge shock on national

health systems and personal lives, especially in countries where mortality has been high. It has also been a total disruption of economic activity and global interconnections that lie at the heart of our modern economic system.

According to Oliver Blanchard, former Chief Economist of the International Monetary Fund (IMF), this is the first time in human history that we collectively switched off 35% of global economic activity instantly, within a few weeks. The result has been devastating for the global economy. Between January and April, the IMF revised global growth estimates for the world economy by a whopping 6.3% downward (the first time ever). And this assumes that the economy picks up fully from July 1 onward. IMF Chief Economist Gita Gopinath said: “this makes the Great Lockdown the worst recession since the Great Depression, and far worse than the Global Financial Crisis.”<sup>4</sup> She added: “for the first time since the Great Depression,

both advanced economies and emerging market and developing economies are in a recession.” She predicted that advanced economies as a whole would experience a -6.1% growth rate for 2020 and emerging economies a -2.2% growth rate, excluding China (projected with +1.2%).

Overall, Asia is more resilient than the rest of the world to the COVID economic shock. In April, the forecast that Asia as a whole would grow by +2.2% in 2020 despite the shock and rebound to +6.2% in 2021.<sup>5</sup> But there is great social and economic risk around the whole region.

Most crucially for the region, world trade is going through its greatest fall since 1945. According to the World Trade Organization (WTO), it will fall by anywhere between 13% and 32% in 2020, depending on scenarios ahead.<sup>6</sup> We have entered a global period of trade reversal, according to Douglas Irwin.<sup>7</sup> Global remittances to developing countries are falling by at least 20%, a loss of \$100 billion.<sup>8</sup> Capital flows are fleeing emerging and developing countries at a much faster pace than during the global financial crisis of 2008.<sup>9</sup> Consequently, many such countries are facing extremely sudden negative currency movements. In Q1 alone, several major countries faced currency drops relative to the US\$ of 20% or more: Brazil, Columbia, Mexico, Russia, South Africa (and Indonesia, Nigeria: 15%).<sup>10</sup> They are also facing collapses in commodity crises, with the following facing a 15% price drop or more in Q1 alone: energy, aluminum,

copper, nickel, zinc, silver, platinum, cotton, livestock, and sugar.<sup>11</sup> Developing countries face financing gaps through four reinforcing channels: health budget shock, trade shock, K outflows, foreign currency debt repayments.<sup>12</sup>

In principle, both the health crisis and associated economic crisis could be resolved through a burst of intense cooperation, as shown with the G20 in 2008-2009 with the Global Financial Crisis, and the cooperative response to Ebola in 2015. But, such cooperation is currently not forthcoming, mainly because of the fierce US-China confrontation and the US turn against multilateralism. The G7 meeting in late March 2020 ended in acrimony over the US insistence to refer to the “Wuhan virus.” The planned G20 meeting in April (over teleconference) was canceled at the US request. Tensions between the US and China have been rising on a daily basis, due to disputes over the pandemic’s origins and initial lack of information from China, trade and technology conflicts (including Huawei), and Hong Kong and Taiwan. At the time of writing, the US is seeking to lead an international coalition to confront China, seeking to enlist Korea, India, Australia, and Russia, alongside Japan, at an expanded G7 meeting in September. This includes an effort to reorganize supply chains centered on China, whether possible or not (outside medical goods). We see an increasing process of tit-for-tat verbal attacks and policy measures between the US and China, which is

5. *Asian Development Bank*. April 2020. <https://www.adb.org/publications/asian-development-outlook-2020-innovation-asia>.

6. [https://www.wto.org/english/news\\_e/pres20\\_e/pr855\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr855_e.htm).

7. Irwin 2020, April 23.

8. <https://www.worldbank.org/en/news/press-release/2020/04/22/world-bank-predicts-sharpest-decline-of-remittances-in-recent-history>.

9. [https://unctad.org/en/PublicationsLibrary/gds\\_tdr2019\\_COVID2\\_en.pdf?user=1653](https://unctad.org/en/PublicationsLibrary/gds_tdr2019_COVID2_en.pdf?user=1653).

10. *Ibid.*, (UNCTAD).

11. *Ibid.*, (UNCTAD, Table 1).

12. *Ibid.*, (UNCTAD, p8).

affecting the whole world.

In sum, at the global level, COVID-19 has become a trigger for a full-blown crisis of globalization and a geopolitical accelerator for a possible US-China Cold War. Global governance is on pause. This is the core reason why the COVID-19 pandemic is turning into the greatest international crisis since World War II. It is all about timing and great power reactions to the health crisis. How does this play out in Asia?

### **Asian Successes and Convergence in the Health Response to COVID-19**

In the larger context, East Asia has experienced great success and high policy performance in the face of COVID-19. These results are robust across the board, independently of regime types. That includes both authoritarian regimes (Vietnam, especially and China after January 20) and democratic regimes (Taiwan, South Korea, New Zealand, Singapore). Evaluating performance in China has been controversial due to initial delays in recognizing the disease, communicating about it, and taking drastic actions, especially between January 14 and January 20.<sup>13</sup> Once the central government recognized the seriousness of the crisis on January 20, it implemented the most systematic quarantine in modern human history, including the entire province of Hubei (60 million people) and most cities in the

countries. This enabled China to fully stop the diffusion of the virus at home. The virus had, however, escaped beyond China.

A ranking of health policy effectiveness and economic effectiveness by Politico found that all East Asian countries and India had been successful in stopping the virus (positive quadrant for health effectiveness).<sup>14</sup> On economic effectiveness, Vietnam leads the pack, followed by China and Indonesia, the only 3 countries who managed to retain positive growth so far. By contrast, most European countries, the US, and Canada are found to be located in a quadrant that combines low health effectiveness and negative growth.

In terms of total death from COVID-19 per capita as of May 31, the five leading countries are Belgium (822 deaths per million), Spain (580), the UK (569), Italy (548), and France (427).<sup>15</sup> The US follows in the ninth position (310). Apart from Iran, the first East Asian country on the ranked list is the Philippines (ranked 63rd in a list of 145 countries with only 8.6 deaths per million). All other Asian nations rank between 3 and 7 deaths per million (with China at 3.3 and India at 3.5, Japan at 7.0 and Korea at 5.2).

Across the region, by and large, the health and economic response have been remarkably less politicized than in the US or Europe. In systems as diverse as South Korea, Taiwan, Vietnam, China (after January 20), Singapore, or New Zealand, we find similar reliance on

13. Osnos, May 10, 2020.

14. <https://www.politico.com/interactives/2020/ranking-countries-coronavirus-impact/>.

15. Source: Statista, using Johns Hopkins University data, <https://www.statista.com/statistics/1104709/coronavirus-deaths-worldwide-per-million-inhabitants/>.

16. Mahbubani 2020.



health professionals at the top level for decision-making, an intense focus on contact tracing, and clear communication. Japan has seen a bit more hesitation and less clear political communication from the top (hence the significant decrease in opinion polls for Abe in late May), but death numbers have been nonetheless held in check by strong social practices (universal war wearing, no handshaking, and school closures). This is why Mahbubani provocatively writes:

“The crisis highlights the contrast between the competent responses of East Asian governments (notably China, South Korea, and Singapore) and the incompetent responses of Western governments (such as Italy, Spain, France, Britain, and America). The far lower death rates suffered by East Asian countries is a lesson to all. They reflect not just medical capabilities, but also the quality of governance and the cultural confidence of their societies.”<sup>16</sup>

What is striking in East Asia is the degree of consensus around health policy and pandemic responses across the

region, despite secondary differences. Across the region and across regime types, there is an acceptance of a strong role for government in times of crisis. There is also a high degree of trust in the government and social trust.

In part due to the precedents of SARS (2003) and MERS (2016), most countries in Asia were ready with resourced Centers for Disease Control (CDC) and popular consensus around the importance of health as a governance priority. South Korea, Taiwan, Vietnam, and Singapore were particularly ready in terms of institutions, resources, and protocols, and legal tools for such a pandemic. Taiwan had just revised its Communicable Disease Act in 2019 and established a modern command control on the top floor of the CDC building. The current Vice-President is a well-recognized epidemiologist (Dr. Chen Chien-jen).

By contrast, Japan had the superior medical capacity and the best medical system in the region but was initially hampered by weak emergency regulations and weak authority bestowed upon the government to take drastic actions, such

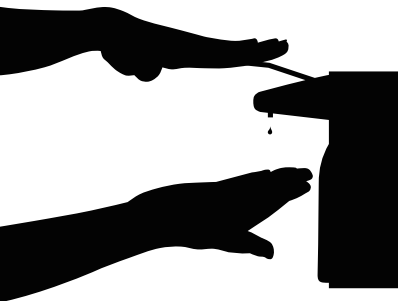


as quarantine or contact-tracing. This was the result of a constitutional order that put the emphasis on the protection of democratic rights and privacy in response to past abuses by the pre-war government. China before January 20 was hampered by the lack of transparency and constraints on doctors who tried to draw the alarm bell late December and early January. Local and central governments appear to have hesitated in launch drastic measures, especially between January 14 and January 20. After that, however, the governance proved ready to squash the virus through harsh quarantine measures (accepted by the public) and high tech contact tracing.

From the comparative East Asian response to COVID-19, we can identify several key tenets of an East Asian model in pandemic response:

1. Preparation for Systemic Risks – taking science and policy risks seriously in a non-partisan way
2. Social resilience and practices (mask-wearing)
3. Belief in and support for competent governments and good preparation
4. Policy reactivity and high mobilization around central leadership
5. Social trust: transparency, legitimacy, support (partially problematic in the case of China, especially before January 20)

We may add that most countries outside



China also recognize the high risks of reliance on one country (China) for the supply of personal protective equipment and medicines and have developed national supply chains over the years in the medical field. This relies on government policy and subsidization of the costs involved.

This common foundation among East Asian countries is a good foundation for regional cooperation and a common voice in global governance. One should note, however, the lack of a regional health organization. As a result, the prime focus for cooperation is the World Health Organization (WHO), which is highly valued and praised by all countries in the region.

The main problem, of course, has been Taiwan's inability to be a member of the WHO, due to China's opposition. Under a compromise with China, Taiwan became an observer in 2009. But China forced the end of that status in 2016 when Tsai Ing-Wen (of the pro-independence Democratic Progressive Party) was elected President of Taiwan. This conflict between Taiwan and Mainland China has become a further point of conflict between China, the US, and many other countries in Spring 2020. However, it is interesting to note that this has not prevented Taiwan and Mainland China from enjoying great cooperation links between universities and medical experts. In fact, Taiwanese experts linked with the Taiwan CDC learned as early as January 13 about the human-to-human transmission of the new

COVID-19 during a briefing in Wuhan, at the invitation of Wuhan authorities. This critical information allowed Taiwan to have a leg up and launch its emergency response immediately on January 14, ahead of most countries in the region.<sup>17</sup>

### **Elements of Resilience in East Asian Economic Multilateralism**

As argued above, the greatest risks of the COVID-19 pandemic do not lie in the health challenges, which East Asian nations, indeed humanity, are well resourced to face. The most dangerous dimensions of this crisis are the massive economic stoppage, social anger, and trade unraveling it has generated, in the context of acute geopolitical rivalry between the US and China. In this context, East Asian multilateralism has been remarkably resilient and public opinion across the region continues to support both economic openness (unlike in the US or part of Europe) and multilateralism. A key example of this is the enduring momentum behind the RCEP. Updates within the region indicate that Japan, China, ASEAN, and Korea continue to strongly support the completion of RCEP negotiations this year. India continues to be opposed and has skipped negotiation meetings over the last few months. But RCEP may well reach a conclusion by the end of 2020, with or without India, sending a powerful signal that free trade is not dead in the

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17. Source: *The Telegraph*. "Exclusive interview with Taiwan's Yin-Ching Chuang, Regional Commander of the Infectious Diseases Prevention and Treatment Network." May 6, 2020. <https://www.telegraph.co.uk/global-health/science-and-disease/wanted-take-us-sight-seeing-stayed-hotel-says-first-foreign/>

18. Source: *The Telegraph*. "Exclusive interview with Taiwan's Yin-Ching Chuang, Regional Commander of the Infectious Diseases Prevention and Treatment Network." May 6, 2020. <https://www.telegraph.co.uk/global-health/science-and-disease/wanted-take-us-sight-seeing-stayed-hotel-says-first-foreign/>.
19. Li and McElveen 2020.
20. <https://yougov.co.uk/topics/international/articles-reports/2020/03/17/YouGov-international-COVID-19-tracker>.
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Asian sphere. As well, several countries (Thailand, especially) and regions (Taiwan, especially) have expressed strong interests to join the CPTPP. In fact, Chinese Prime Minister Li Keqiang in person expressed an official interest for China to consider joining the CPTPP at the closing of the annual session of the National People Congress in May 2020.

Despite increasingly toxic US-China relations, bilateral relations between China and Japan took a surprisingly positive turn in January-March, with mutual shipments of masks and other support mechanisms. Cheng Li and Ryan McElveen have argued the display of mutual compassion and shipments of masks and other equipment in both directions from January to March may have "upended generations of China-Japan antagonism."<sup>18</sup> Preliminary ground reports also confirm that neither side has been blaming each other in the crisis and that early generosity from Japanese society and the private sector toward China has had a positive impact on public opinion. YouGov poll data shows that among major countries polled, Japan has the least support for a blanket ban on flights from China (40%).<sup>19</sup> Li and McElveen write:

"But if nothing else, the coronavirus has done what few observers thought possible: quell generations of China-Japan antagonism. And for the immediate future, both countries are now bound together in the same public health crisis — the full political and economic

implications of which are yet unknown — and neither side would gain from halting the mutually-beneficial collaboration now."

Also interesting has been the parallel actions to help COVID-affected Asian countries (whether coordinated or not) between the Japan-led ADB and the China-led AIIB with programs totaling US\$ 5-10 billion each.<sup>20</sup> ADB has a history of being involved in health crises, but this is definitely a new development for the AIIB. It is remarkable to see both banks engaged in emergency funding to India in its fight against COVID-19.

## Conclusion

The COVID-19 pandemic and associated economic mega-shock and geopolitical conflicts represent a grave threat to the East Asian region. However, one can also note the strong governance response to the health dimension across East Asia, setting global standards for good pandemic responsiveness. One can also note the enduring momentum for economic multilateralism in the region. What is unknown is how the region and its soft multilateralism can absorb the even greater shock of the US-China confrontation and the specific risks around Hong Kong, Taiwan, and the South China Sea.