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# **Shifting Aid Institutional Architecture in the Asia-Pacific**

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International cooperation utilizes foreign aid as an instrument to bridge the economic gap between the global North-South and South-South development cooperation. Following the leveraging of positive gains in aid-giving practices, countries pioneer development alternatives to shift dependence over the predominating aid distribution regime. Challenges and power competition in present aid-giving practices further influence aid institutional design formation (Wright & Winters, 2010; Steinwand, 2015). This article aims to explore the foreign aid institutional narratives and power competition in the international aid contestation which influence aid institutional design at the national level. The discussion is divided into the North-South aid institutional narratives, the shifting foreign aid institutional arrangement in the Asia-Pacific, and implications of aid-donor contestation towards foreign aid institutional architecture.

### **The North-South Aid Institutional Narratives**

The international development regime has evolved under the predominant premise of traditional Northern donors providing assistance to less developed states (Mawdsley, Savage & Kim, 2013; Tahalele, 2022). Despite descending under distinct philosophical narratives in the global development regime, both Northern and Southern countries characterize specific features in foreign aid institutional design. First, foreign aid decision-making in the national-level governance is heavily directed under domestic ruling political leadership (Tingley, 2010; Bader & Faust, 2014). The ruling political leadership may reside in the higher executive order as President, Prime Minister, Minister-level agent, and dominating political parties (Arel-Bundock, Atkinson & Potter, 2015). Second, foreign aid organizational autonomy is inherited from political appointees and delegated to aid bureaucrats in line ministries (Kilby, 2011). Foreign aid institutional arrangement is administratively shared among several line ministries with differing capacities composing policy alignment, project planning, and budgetary control – aid agency may be subordinated under specific ministries as hosting agencies (Winters, 2010; Krasner, 2011). Last, foreign aid institutional governance at the national level is influenced by demands and threat perception posed by foreign pressure which leads to power competition among donor countries (Wright & Winters, 2010; Steinwand, 2015; Fuchs, Nunnenkamp & Ohler, 2015).

### **Shifting Foreign Aid Institutional Arrangement in the Asia-Pacific**

Reforms in aid institutional governance are vulnerable towards foreign demands and dynamics in geopolitical contestation. The rise of the Chinese aid model as a non-DAC member has led to

competition for regional dominance in the global aid regime against Japan and Australia (Kitano, 2018; Katada & Liao, 2020). In comparison to top-down aid-donor conception and humanitarian relief, China perceives a different philosophical perception towards development which stands as a 'development partner' and stresses the principle of 'mutual benefit' (Kratz & Pavličević, 2018; Dunford, 2020). The Chinese aid model imposes no political conditions and prioritizes recipient concerns and demands as bilateral arranged projects between China and its recipients are often offered with appealing appropriate adjustment (Raposo & Potter, 2010; Katada & Liao, 2020). The rise of China's prominence as an emerging donor however has unintendedly raised foreign aid competition with Japan and threatens Australia's security-development position over the Pacific countries (Jiang, 2019; Chen, 2021; Yoshimatsu, 2021; Shiga, 2023).

The rise of Chinese aid model in the global aid regime contestation leads to a balancing or bandwagoning dilemma with or against China from Australia and Japan to approach the rising diplomatic and security concerns (Bloomfield, 2015; Lim & Cooper, 2015; Yoshimatsu, 2017; Kratz & Pavličević, 2018; Jiang, 2019). Australia's perception on securing diplomatic and security posture over the Pacific stands at a distance compared to the recent rise of the Chinese aid model (Goodman, 2017; Köllner, 2019). The debate over influence in the Pacific threatens Australia's position to formulate hedging policy which compromises avoiding open race with China while simultaneously engaging in other forms of cooperation amidst the contested space (He, 2012; Manicom & O'Neil, 2012; Bloomfield, 2015; Lim & Cooper, 2015). Australia's hedging maneuver with China has led to the reassessment of policy alignment and institutional rearrangement in ensuring the coherence of ODA effort and the provision of security-development nexus at the national and domestic bureaucratic level (Davis, 2011; Corbett & Dinnen, 2015; Rosser, 2015; Day, 2016). Australia's maneuver in incorporating aid under DFAT nevertheless increases a consistent shift to equal China's movement in the region as DFAT advocates economic diplomacy through the promotion of trade liberalization (Rosser, 2015; Garrett & Wanner, 2017).

Japan's ODA policy which centers commercial financing, participating government presence, and investing development assistance on infrastructure and industrialization in the recent decade enables Southeast Asian recipients with territorial disputes against China to acquire transfers of military technology through yen loans programs (Yoshimatsu, 2017; Liao & Dang, 2019; Shiga, 2023). Japan's initiative is a strategic imperative towards balancing the geopolitical threat posed by the rising China's dominance. Japan adopted a counter policy towards China in order to secure the existing international order and deter changes of status quo (Zhao, 2018; Suzuki, 2021; Shiga, 2023). The rising foreign compulsion has threatened Japan's ODA principal actors to reorganize ODA institutional setting by readjusting ODA policy alignment with Chinese aid practices as competitor in order to secure power balance and maintain geopolitical influence in the Southeast Asian hemisphere (Yoshimatsu, 2017; Jiang, 2019; Shiga, 2023). Imitating pattern of ODA policy is further perceived as Japan's balancing maneuver towards China to improve bargaining power and provision of adjustments to facilitate

host countries' concerns and demands – simultaneously competing against China in Asia's ODA donor contestation (Yoshimatsu, 2017; Kratz & Pavličević, 2018; Jiang, 2019; Suzuki, 2021).

### **Implications of Aid-Donor Contestation towards Foreign Aid Institutional Architecture**

Discussions in the ODA donor contest between China, Japan, and Australia in the Asia-Pacific features important key takeaways towards variables which influence changes in foreign aid institutional architecture. First, the rise of a dominant state entity in the global aid-giving regime may pose a threat and lead to power competition between donor countries. Second, following the rise of threat perception and security dilemma, states' attempt to harness balancing approaches through policy readjustment. Third, domestic actors' threat perception at the national level may lead to changes in aid institutional settings. These premises may consolidate changes in aid institutional architecture at the national level to facilitate foreign demands and counter global aid-donor contestation.

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