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Asian Countries' Preference for Sino-Japanese Infrastructure Initiatives from the Perspective of the Combination of External Pressure and Domestic Politics

Yiwen Zeng

School of Humanities and Social Sciences, Xi'an Jiaotong-Liverpool University, Suzhou, China
Yiwen.Zeng22@student.xjtlu.edu.cn

Abstract. With the development of globalization, regional connectivity has become an important means to enhance cooperation among countries, which helps to reduce the cost of commodity transportation and thereby promotes regional economic prosperity. This article explores why Asian countries have made different choices in the infrastructure competition between China and Japan. For instance, Indonesia has chosen China to build the Jakarta-Bandung High-Speed railway (HSR), while India has opted for Japan to construct the Mumbai-Ahmedabad Corridor. Adopting the framework of neoclassical realism, it holds that these preferences are not only determined by external pressure but also influenced by the domestic political structure. Analysis shows that Indonesia's decision is the combined result of its perception of a low threat to China, its centralized administrative system, and its leadership that prioritizes the existence of short-term political legacies. In contrast, India's choice is driven by its perception of a high threat to China, a domestic political regime with multiple veto powers, and the prime minister's long-term vision of technological nationalism. The conclusion of this study is that the domestic political landscape is the decisive variable in explaining how a country manages its major infrastructure plans.

Keywords: Sino-Japanese infrastructure initiatives, external pressure, domestic politics

1. Introduction

With the advancement of globalization, regional interconnectivity has been regarded as a prominent instrument to improve connectivity among those states, to reduce transportation costs of commodities, and to prosper regional economy. Infrastructure projects have gained considerable attention and regional infrastructure initiatives began to surge during the 2000s, aiming to strengthen connectivity between regions [1]. Facing the huge infrastructure investment gap in Asia, the Asian Development Bank (ADB) estimated that infrastructure project investment in the Asia-Pacific region will be approximately 26.2 trillion US dollars during the period from 2016 to 2030, which has promoted the emergence of various regional infrastructure initiatives [2]. Among various initiatives, China's Belt and Road Initiative (BRI) and Japan's Partnership for Quality Infrastructure (PQI) stand out for their immense scale and far-reaching influence. Japan has become the dominant supplier of infrastructure programs in Southeast Asia (SEA) with the help of ADB since 1960s [3]. Many other

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regional powers now have been competing with Japan to strive for infrastructure projects to transfer their excess domestic infrastructure capacity and explore new overseas markets, especially China, which launched the “Belt and Road” initiative in 2013. In response, Japan also initiated a new infrastructure project in 2015, the Partnership for Quality Infrastructure, to combat China’s rising influence of infrastructure projects in Asia. The high degree of overlap between the two programs in terms of target markets and geopolitical interests creates a strong competitive dynamic between China and Japan. In their intense competition, the high-speed rail (HSR) program, which is considered as high value added product, has a significant role in the infrastructure competition. As Beijing has noted in a report, the railway export strategy is a part of its plan to achieve global leadership in high-value-added manufacturing.

The choices made by recipient states in this competition, however, have not been uniform. In 2015, Indonesia unexpectedly awarded its first HSR project, the Jakarta-Bandung line, to China, despite Japan's earlier feasibility studies and its widely acclaimed Shinkansen technology. Conversely, in 2017, India officially selected Japan to build the Mumbai-Ahmedabad HSR corridor after a prolonged evaluation, despite a more competitive proposal from China. This difference has aroused people’s curiosity that why do countries like Indonesia and India, both major regional powers with significant infrastructure needs, make such divergent choices when faced with similar offers from China and Japan? This article sheds some light on their differences by examining how their domestic politics and perception of external environment have shaped their preferences.

2. Literature review

When talking about infrastructure competition in Asia, existing research mainly focuses on the geopolitical competition between China and Japan. Scholars argue that it is big power’s geopolitical consideration that mainly forces the infrastructure competition. They believe that China’s active engagement with infrastructure projects through BRI is aimed at reshaping regional order in Asia, promoting China’s values, strengthening diplomatic relationship with neighboring countries and transferring excess domestic production capacity [4,5]. And at the same time, Japan's export of infrastructure initiatives is considered to be driven by strategic objectives that extend beyond mere economic revitalization. In line with the US "Rebalance to the Asia-Pacific" strategy, Japan's goal is to counter China's growing influence. By actively engaging in regional infrastructure development, Japan seeks to demonstrate to both the US and Asian nations that it remains a pivotal power capable of providing a credible alternative to Beijing's assertiveness, thereby reinforcing its strategic value within its alliance [6]. However, these analyses simplify the project recipient countries to passive arenas. It fails to explain why different Asian countries respond so divergently under identical competitive pressures. Hedging theory helps people to acquire a more comprehensive understanding of the host country's ideas and motivations in infrastructure competition. It shifts our focus from major powers to Asian countries, describing how these countries respond to risks and maximize benefits in the infrastructure competition between China and Japan through a series of strategies, including economic engagement, power balance and institutional constraints. It is claimed by some studies that those recipient countries in Asia are beneficial in gaining strategic resources, bargaining deal terms, and resisting donor demands through major power competition [7]. Although hedging theory successfully transforms Asian nations into strategic actors, it fails to open the black box of national decision-making process. To understand the effects of political dynamics within a state on infrastructure projects preferences, the article will introduce neoclassical realism to construct an analytical framework.

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Neo-classical realism originates from structural realism and is devoted to analyzing how domestic factors contribute to a state's foreign policy choices. There is a famous and typical neo-classical realist theory founded by scholar Schweller, who identifies four domestic political variables that account for states under balancing behavior: elite consensus, elite cohesion, social cohesion and regime vulnerability [8]. There is another famous example. Fareed Zakaria argues that the translation of national wealth into expansive foreign policy is mediated by domestic state structures. He contends that a centralized and capable state apparatus led by leaders with expansionist ideas and supported by influential interest groups is essential for converting latent power into actual international influence, which highlights how domestic factors shape a rising power's external behavior [9]. This paper introduces a neoclassical realist analytical framework to explain the divergent choices made by Asian nations on infrastructure projects, integrating international systemic pressures with domestic political variables to account their decisions.

Building upon Zakaria 's framework of how major powers mobilize domestic resources to promote overseas expansion, this paper introduces a neo-classical realist framework, which will incorporate two sets of variables: external systemic forces, which specifically include the degree of geopolitical dependence on Japan or China and the perceived threat from China's rise, and internal political features, which can be operationalized as the concentration of states' decision-making structure, the cohesion of supporting interest groups and the strategic vision of national leaders. The study argues that it is the specific configuration of these external and internal factors that can comprehensively explains the starkly different choices made by countries like Indonesia and India. This composite framework thus offers a more nuanced and compelling explanation for the variation in infrastructure preferences across Asia. A state's infrastructure preference can to some extent be predicted by the interaction of these factors. For instance, it is anticipated that high threat perception coupled with a fragmented domestic structure will make a state be inclined toward Japan's model, while low threat perception with a centralized executive system may prefer China's approach. In the next section, two cases will be examined according to the factors mentioned above to test those hypotheses.

3. Case study 1—Jakarta-Bandung high-speed rail project in Indonesia

Jakarta-Bandung HSR has aroused Japan's interest since 2011and they then assigned 4.5 million dollars to carry out the feasibility studies of this project, implying that there is a high possibility for Japan to win the contract [10]. However, the Jokowi administration ultimately signed the contract with China Railway Construction Corporation (CREC) in September 2015, which is a Chinese state-owned enterprise.

From the perspective of external systemic pressures, Indonesia's decision to award the Jakarta-Bandung HSR project to China was significantly shaped by a regional environment characterized by a relatively low perceived threat from Beijing and a strategic calculation to diversify diplomatic partnerships beyond traditional western allies. In the eyes of the Indonesian elite, China does not pose a huge political threat to them. There is no maritime territorial dispute between China and Indonesia. And in the early 2000s, when Indonesia faced international condemnation and military sanctions from the US and other western powers following the violence surrounding Timor-Leste's separation, China adopted a stance of non-interference and refrained from joining western criticisms or sanctions. This friendly behavior relieved Indonesian elite suspicions towards rising China and strengthened their mutual trust [11]. Besides, China's active engagement in regional institutions, which is manifested as becoming the first ASEAN dialogue partner, projected its image as a responsible regional power instead of a revisionist state. A series of friendly communication

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between China and Indonesia makes China's projects credible rather than being abandoned from the very beginning. In addition, driven by perceptions of Japanese investors' rigidity and the onerous conditions attached to their funding, Indonesia aimed to diversify Indonesia's diplomatic and investment portfolio, thereby paving the way for warmer engagement with China [12]. Therefore, when the decision on high-speed rail was made in 2015, Indonesia's external context was a low-threat perception of China's rise and a hope to reduce its reliance on Japanese investment. This international environment closely interacts with President Joko Widodo's centralized decision-making power and strategic considerations, creating a favorable atmosphere that makes Chinese project more attractive than it from Japan.

In the country, the president's preference for infrastructure projects is of great significance. He was able to exert a huge influence on this high-speed rail contractor in 2015 because he quickly consolidated his executive power after being elected in 2014. The key point is that by 2015, he had begun to concentrate power by strategically appointing loyals and weakening the supervisory mechanism. As Petlach and Říčanová pointed out, a key early strategy of Joko Widodo was to intervene in the internal affairs of the opposition party to control political dynamics, a move that dispersed potential resistance [13]. This established a highly centralized decision-making model, enabling his personal preferences to override the technical and political objections raised by ministers and the military during the high-speed rail assessment process.

Despite the president's tendency, the project has faced strong opposition internally, demonstrating a lack of cohesion among interest groups. Former Transportation Minister Ignasius Jonan, drawing on his technical background, opposed the Chinese proposal. He was concerned about the project's feasibility studies and favored Japan's high-quality, process-driven approach, seeing it as a potential bargaining request to secure Japanese investment in Indonesia's more strategically significant maritime infrastructure. The military opposed the project based on a perceived communist threat to national security and such kind of stance has been even exacerbated by practical grievances from land acquisition disputes with the Chinese consortium [12]. However, former state-owned enterprises Minister Lini Sumarno, who took advantage of her special status as a special envoy to China and the fundraiser for Joko Widodo's campaign, pushed forward the Jakarta-Bandung High-Speed Rail Project in Indonesia despite the lack of support from most ministers. She bypassed the Former Transportation Minister Ignasius Jonan who was supposed to oversee the project and was one of the officials who strongly opposed it. Meanwhile, the Chinese project has received support from domestic consortiums within Indonesia. An Indonesian official stated in a private interview that it is not a transportation project but a real estate project as its route planning highly overlaps with the development projects of large real estate developers such as Lippo Group [14]. These consortiums can gain huge benefits from the Chinese project, which means they have the motive to help convince familiar officials to support Chinese projects in order to turn national infrastructure projects into tools for increasing the value of their private properties.

From the strategic perspective of the Indonesian leader, his selection of Chinese projects is driven by the pursuit of a personal political legacy and domestic fiscal constraints. Jokowi’s commitment to improving Indonesian infrastructure in his presidential campaign speech made him devoted to promoting infrastructure construction. Consequently, CREC's promise to complete the high-speed rail project on schedule before Jokowi's re-election campaign should be highly appealing and tempting to him, as it would leave a valuable political legacy and enhance his chances of winning re-election [12]. Furthermore, the Indonesian government is subject to strict fiscal rules. Given the large scale of this project, the Jakarta side is unable to accept government guarantees or any direct budget allocations. Distinguished from a state-to-state framework requested by Japan, China's

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proposal advocated a business-to-business model. Under this arrangement, the China Development Bank was supposed to finance 75% of the total cost, with a consortium of Chinese and Indonesian state-owned enterprises covering the remaining 25% without requiring sovereign guarantees. This is probably another factor that prompted Jokowi to be inclined to Chinese projects.

4. Case study 2—India's Mumbai-Ahmedabad high-speed rail corridor

Japan started feasibility studies for high-speed rail in India as early as the late 2000s by investing a large amount of money in detailed planning. Around 2015, China passed on a more competitive proposal to India after its success in winning the Jakarta-Bandung project in Indonesia. This proposal is characterized by lower costs, faster construction, and more favorable financing terms. India underwent a prolonged evaluation and eventually India officially selected Japan to build the Mumbai-Ahmedabad project in 2017 based on comprehensive considerations of technology transfer, project long-term reliability, geopolitical risk and Japan's concessional long-term loan (as low as 0.1% interest).

From the perspective of external system pressure, India's perception of the threat posed by China's rise and its geopolitical reliance on the US-led alliance network have profoundly influenced its strategic preferences in infrastructure projects. It is believed that India regards China's growing influence in Asia has structurally threatened its national security and regional leadership [15]. This deep-rooted distrust, coupled with ongoing border disputes and China's growing presence in the Indian Ocean region, has led Indian policymakers to view the selection of Chinese projects as an unacceptable geopolitical risk [16]. Meanwhile, the India-Japan relationship was elevated from the "Strategic and Global Partnership" in 2006 to the "Special Strategic and Global Partnership" in 2014 [17]. In addition, India has deepened strategic coordination through mechanisms such as the Indo-Pacific Strategy and the Quadrilateral Security Dialogue (QUAD) and shifted its strategic focus to Japan. This close relationship with Japan has strengthened India's trust in Japan as a key infrastructure partner, using high-speed rail projects as an economic pillar to consolidate strategic mutual trust and interests, thereby automatically ruling out China's options.

The decision-making structure in India is highly decentralized and balanced, which inherently leads to a slower pace of project approval and implementation. To some extent, this makes it more inclined towards the Japanese model that emphasizes rigorous procedures and risk aversion. Unlike the presidential system with centralized power, India's federal democracy requires complex negotiations for large-scale infrastructure projects among central ministries and between the central government and state governments, making any attempt to replicate Indonesia's rapid decision-making model impossible. Therefore, Japan's proposal, characterized by phased financing, detailed feasibility studies, and an extreme emphasis on environmental and social impact assessments, offers transparency, predictability, and procedural respect, meeting the inherent need of India's decentralized regime to mitigate political and fiscal risks [18]. Furthermore, the alliance supporting the Japanese solution is a more decentralized knowledge strategy alliance composed of technocrats and strategic communities, who are highly concerned about long-term interests. The cohesion of this alliance is based on the common pursuit of technological sovereignty, long-term industrial upgrading and sustainable development. The strategic consensus within India on promoting "green transportation projects" and "sustainable transportation solutions" has profoundly influenced the country's preference for infrastructure cooperation, leading all parties in India to reach an agreement on choosing Japan's PQI Project [19]. PQI's emphasis on technical standards, safety and reliability, as well as environmental management satisfy the core concerns of green innovation and sustainable development pursued at the domestic level in India. The emphasis on technology transfer has also

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been demonstrated in the defense sector. Delhi has shown a strong interest in Japan's "Three Principles on Defense Equipment and Technology Transfer" announced in 2014 and has been actively exploring cooperation prospects with Japan under the "Make in India" initiative [20]. Furthermore, unlike Indonesia which relies on state-owned enterprises as implementation tools, India's vast private sector has incorporated the technology transfer in this project into the global supply chain channels. The strategic community regards establishing a closer partnership with Japan as a means to counterbalance China. This decentralized decision-making model leads to the situation where only projects like those in Japan that can meet the reasonable demands of multiple stakeholders can be approved.

India's decision is deeply influenced by the vision of its leadership, which prioritizes technological sovereignty and long-term industrial transformation. This commitment is evident and clearly reflected in the specific technological cooperation of the Mumbai-Ahmedabad high-speed rail project. As the cornerstone of India-Japan diplomacy, the first high-speed rail corridor is an example of technology transfer. This corridor utilizes Japan's Shinkansen system to enhance India's infrastructure and industrial growth [17]. The Modi government's "Make in India" strategy conceptualizes this technological self-reliance as the foundation of a major power's status. Therefore, the assessment of this project goes beyond direct costs and speed, giving priority to the comprehensive absorption of advanced technologies, local manufacturing, and long-term excellent operation.

5. Conclusion

This article aims to solve the problem of different infrastructure preferences in Asia: Indonesia chose China to build the Jakarta-Bandung HSR, while India chose Japan to build the Mumbai-Ahmedabad Corridor. Under the guidance of the neoclassical realism framework, through structured comparative case study analysis, this study draws the conclusion that the interaction between external systemic pressure and domestic political considerations provides a convincing explanation for these different results. Investigations have confirmed that Indonesia's preference for China's BRI is a product of its low-threat perception of China's rise and its desire for diplomatic diversification. Coupled with the highly centralized decision-making structure under President Joko Widodo's leadership, his personal political legacy and short-term economic priorities are in line with China's projects. On the contrary, India's choice of Japan's PQI is driven by a restrictive external context, which is determined by China's high threat perception and its close alliance with Japan, as well as the product of its decentralized domestic politics. India's decentralized power structure requires strict procedures and risk reduction, coupled with Prime Minister Modi's long-term vision of technological nationalism. This makes it inclined towards Japan's procedural-oriented and technology-centered proposals.

Theoretically speaking, this study emphasizes the importance of re-introducing domestic politics into the analysis of international relations, especially when understanding the behavior of small countries in the face of competition from major powers. By integrating variables such as decision-making concentration, the cohesion of interest groups, and the strategic vision of leaders, our neoclassical realism framework provides a more detailed and powerful tool for explaining changes in foreign policy than pure systems theory or hedging theory.

In terms of policy impact, these findings suggest that the success of major countries' infrastructure plans is not merely the result of their financial or technological strength. On the contrary, it depends on their ability to integrate their proposals with the domestic political realities and leadership agendas of the recipient countries. For China and Japan, this means they need to have

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a comprehensive understanding of the internal political landscape of the target country to win future infrastructure contracts.

Finally, this study has paved the way for future research. Applying this framework to other cases in the region, such as Vietnam, Thailand or the Philippines, can further test and reveal other configurations of domestic variables that shape the complex geopolitical economy of infrastructure in the Indo-Pacific region.

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