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CHAPTER 5

Japan and South Korea: Adapting to Asia's Changing Regional Order

Linda Maduz

Small and middle powers in Asia find themselves in a key arena of accelerating great-power competition. Nowhere are the economic dominance and politico-military ambitions of a rising China more evident and nowhere is the potential for military escalation between China and the US greater than here. Much sooner than in other regions of the world, countries in Asia have had to position themselves in the growing US-China rivalry. The experience of Japan and South Korea shows that middle powers have a role to play in shaping the rivalry, and thereby in shaping their own regional strategic environment.

Trade ministers pose for a photo during the 3rd Inter-sessional Regional Comprehensive Economic Partnership (RCEP) Ministerial Meeting in Hanoi, Vietnam May 22, 2017. *Kham / Reuters*

The US has led the post-war regional order in East Asia for over half a century. Its dominance in East Asian political, economic, and security affairs has remained unchallenged until recently. To establish and maintain the order, the US has relied on strong partnerships with East Asian countries, Japan and South Korea (officially the Republic of Korea) foremost among them. A security architecture built on a US-centered, bilateral alliance system has constituted the hard backbone of the regional order. This architecture has been part of a larger political bargain, though, which has closely tied the US and its East Asian partners to one another both economically and politically. Today, voices critical of US engagement in Asia exist on both sides of the Pacific. Under US President Donald Trump's administration, the US even openly called into question the value of bilateral alliances and free trade to the US – central pillars of the US-led East Asian order.

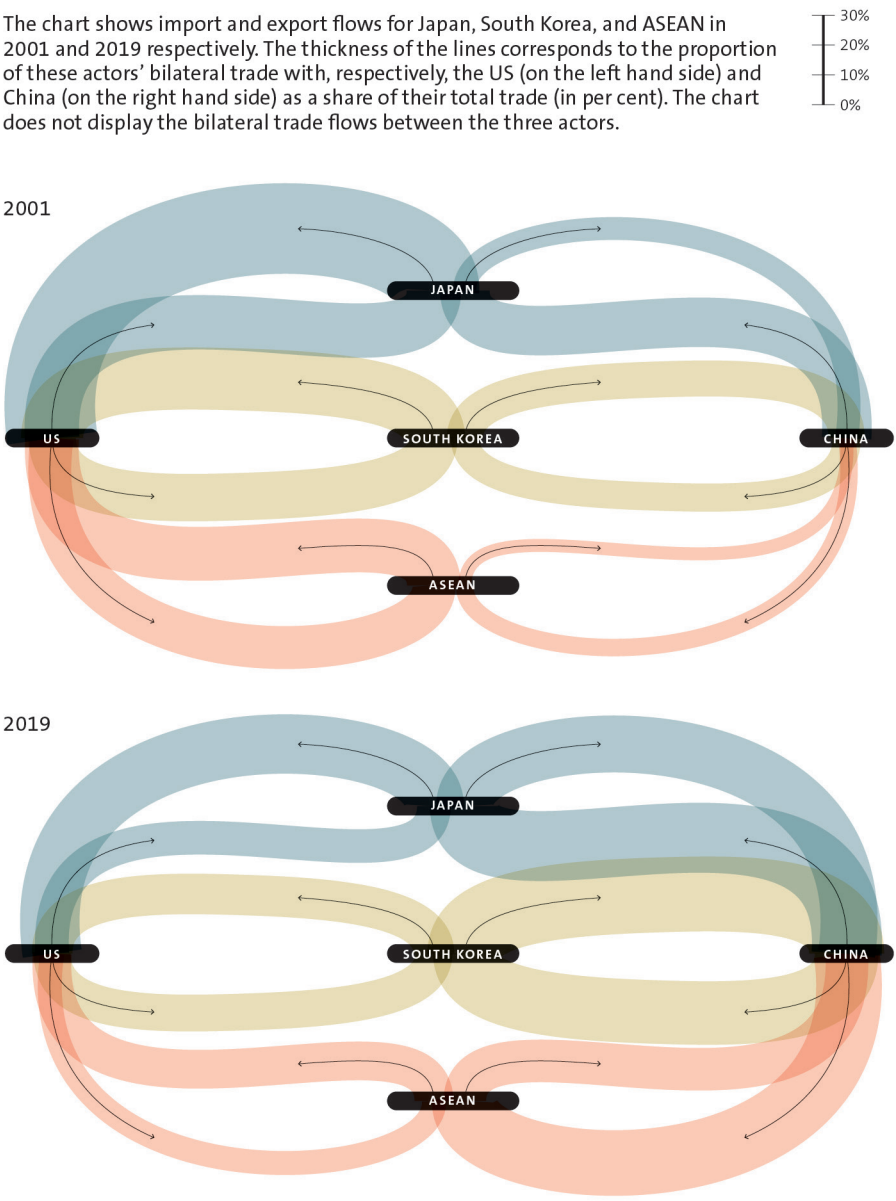
In addition to internal sources of erosion, the rise of China constitutes another critical challenge to the existing regional order. Trade and investment flows in the East Asian region increasingly center on China, which since 2010 has been the world's second-largest economy (see chart on trade flows). Along with its rapid economic development, the country has developed new political ambitions and security priorities. A particular focus for Beijing lies in its immediate neighborhood in East and Southeast Asia. These trends have become especially pronounced under Xi Jinping, who became general secretary of the Chinese Communist Party in November 2012 and president in March 2013. Under Xi's leadership, China has adopted a more activist foreign policy and is increasingly modernizing its military. It has stepped up its diplomatic efforts and intensified cooperation with its neighbors while at the same time engaging in new (territorial) disputes with them. Particularly in the economic sphere, China today is a powerful leader that has successfully leveraged its influence to establish new China-centered infrastructures and hierarchies in East Asia.

As a consequence, the regional order in East Asia is currently undergoing a transition. This is evidenced by the fact that existing arrangements, processes, and rules are called into question and are being (re-)negotiated. While the emerging and established hierarchies can complement each other, they are, in certain respects, also of a competitive and mutually exclusive nature. China, which was absent from the establishment of the US-led order in Asia, is contesting some of the established rules of the order: For example, its claims in the South China Sea,

Bilateral Trade Flows with the Great Powers

Japanese, South Korean, and ASEAN perspectives

The chart shows import and export flows for Japan, South Korea, and ASEAN in 2001 and 2019 respectively. The thickness of the lines corresponds to the proportion of these actors' bilateral trade with, respectively, the US (on the left hand side) and China (on the right hand side) as a share of their total trade (in per cent). The chart does not display the bilateral trade flows between the three actors.



Source: WITS / UN Comtrade

which the Permanent Court of Arbitration in The Hague rejected, have raised concerns about the preservation of freedom of navigation. In addition, relations among Asian countries are changing and have become more conflictual, indicating that the mediating effect of US leadership in the region is waning. An important feature of the US-led regional order was that the US prevented conflicts among regional partners. That the old order is weakening is clearly in evidence as long-held conflicts flare across the region, particularly in reference to old unsettled territorial disagreements and unresolved claims regarding Japanese reparations for wartime atrocities.

What form the future regional order will take will depend in part on how East Asian countries, particularly the more influential ones, position themselves in the great-power rivalry. Two key actors in the regional architecture are Japan and South Korea. As middle powers, they lack great-power capabilities. However, given their economic and military strength, as well as their geostrategic positions, they are in a position to project influence and shape politics at the regional and international levels.[1] The great-power rivalry affects them in complex ways. It reveals their existential security dilemma, leaving them with no real alternative to relying on the US as their main security provider. Consequently, waning US leadership and a related weakening of the rules-based, multilateral regional order limit their strategic options. At the same time, the ongoing geopolitical shifts call into question US security guarantees and stimulate discussions in both countries about taking increased responsibility for their security while still keeping the US engaged.

With an ever more powerful and assertive China in their neighborhood and uncertainties surrounding their strategic ties with the US, Japan and South Korea find themselves in a predicament. In this uncertain, pressing situation, Japan is opting for a proactive approach, seeking a new leading role in the region as well as in its alliance with the US. With initiatives such as the Free and Open Indo-Pacific and the Quadrilateral Security Dialogue, Japan wants to set the regional agenda and shape the order in its interest. Japan is the country in East Asia that most openly opposes China's rise. South Korea, by contrast, is more accommodating and holds a position that is similar to that of other countries in the region. It is hedging against China by increasing its military spending and reinforcing its security ties with the US. In parallel, it is deepening its ties with China in economic and other domains. It actively avoids making choices

between the two great powers, whose co-presence is considered beneficial.

This chapter analyzes the changing power configuration in East Asia, highlighting the implications of China's rise and the erosion of the old logic behind US engagement in the region. A primary focus of the chapter is on how key actors in the region, such as Japan and South Korea, conceptualize the changes in their new strategic environment and formulate policies in response. The chapter reflects more generally on the role of middle powers in the US-China rivalry and on how much agency they have in shaping the regional order. Lastly, the chapter examines the position of the US, which has recently proved the least consistent in its approach towards the region as compared to other major actors in East Asia. The chapter argues that whether the US will be able to strike a new grand political bargain with countries of the region and reinforce its position as an Asian power is an open question and will depend on whether the interests of the US and its East Asian partners continue to align. The coming years under the Biden administration will be crucial in this regard.

China Rising: Shaking up the Post-War Regional Order in East Asia

Today, two orders coexist in East Asia. China dominates the economic sphere, while the US continues to dominate the security sphere. China is the main trading partner of Japan and South Korea and most Southeast Asian countries; this continues to be true in the face of efforts by some regional governments, including Japan, to divert supply chains away from China. Formerly the region's main trading partner, the US is still a key economic player, and it remains many countries' first choice for security provision. Yet, in light of China's rise, new uncertainties exist regarding US security guarantees towards the region. While investing in their ties with the US, countries in East and Southeast Asia continue deepening their relations with China as well. The emerging order seems more complex and less predictable. The jury in the battle for "Asia's soul" – seeing whether the region will prioritize security or economics – is still out.[2]

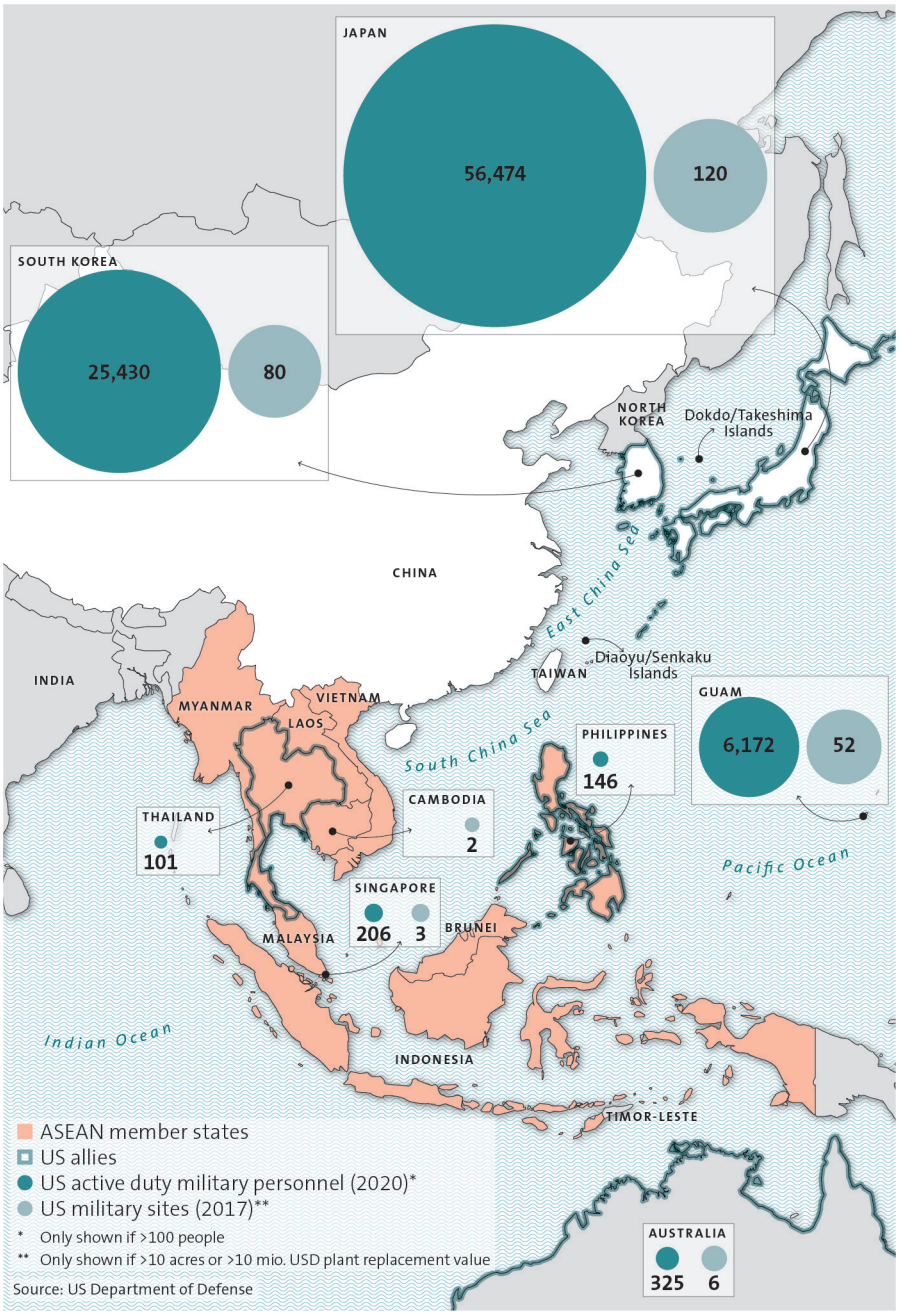
The complex circumstances shaping and dictating the regional order in Asia have roots that extend as far back as the early 1950s. The communist victory in China (1949) and the course of the Korean War (1950–1953) had fueled fears in the United States that countries in Asia would fall to communism (in line with the "domino theory"). Accordingly, the US sought to establish a system of bilateral security ties with

a range of countries, including mutual defense treaties with Japan, South Korea, and Taiwan, among others (see map). The United States undertook several tasks that it perceived to be in its own national security interest, including building a bulwark against communism in the region, managing the reintegration of war-defeated Japan, and preventing other allies such as South Korea and Taiwan from engaging in further conflicts.[3] Thus, the alliances served the US as effective tools to manage trans-Pacific relations as well as regional relations.[4]

The US-led alliance system was the basis for a dense US-centered network of bilateral ties that included not only a security dimension, but an equally important politico-economic dimension. In exchange for US security guarantees, which required substantial financial contributions towards stationing US forces on their soil, Japan and South Korea received privileged access to the US market and direct political channels to Washington.[5] This helped facilitate extremely rapid economic development. Japan became the second-largest economy in the world from 1968–2010, and South Korea developed from one of the poorest countries in the world into a fully developed nation in the span of just a few decades, holding Organisation for Economic Co-operation and Development (OECD) and G20 memberships by the late 1990s. In recent years, East Asian partners ran trade surpluses with the US, and capital flows from East Asia financed the growing US trade deficit. Thus, even after the economic assumptions underpinning their cooperation had changed, elites on both sides of the Pacific continued to support the arrangement.

One of the key features of this US-led "hub-and-spokes" system, which defined East Asian policymaking for decades, is its focus on Japan. The system is also known as the San Francisco system, for it is in San Francisco where the World War II peace treaty with Japan was concluded in 1951. Considering Japan's crucial strategic position in East Asia, the US invested in rebuilding the country's economy and integrating it into the emerging Western-led global order. Against the backdrop of the communist security threat, the US wanted Japan to be economically successful and politically stable. At the same time, the US restrained the country's military capabilities by making Japan adopt a pacifist constitution and non-nuclear principles during the post-war US occupation. Washington thereby also offered reassurance to countries in the region with lingering concerns about Japan's regional ambitions and

US Alliances and Military Presence in the Asia-Pacific



potential for renewed aggression, including South Korea. The arrangement successfully transformed Japan from a former enemy of the US into a reliable junior partner, both regionally and globally.[6]

China's rise occurred while the country remained outside of the established US-led regional order. Since the beginning of the Deng Xiaoping era, China has made the quest for security and the reduction of vulnerabilities a priority. Seeking to stay under the international radar, China successfully promoted its economic growth, facilitated by the 1978 market reforms, and modernized its military. For decades, China's economy enjoyed fast, often double-digit, growth. Consequently, the mismatch between its increasing economic weight and its low profile in regional and world politics was growing. This changed with the accession to power of Xi Jinping in 2012: In contrast to his predecessors, Xi is pursuing a far more assertive agenda, openly communicating China's global political ambitions, seeking confrontation when considered necessary, and creating facts on the ground, imposing them on weaker neighbors.[7]

China's challenge to the regional order is a consequence of its growing economic power, but it is also due to China's dedicated efforts to institutionalize a new, China-centered regional order. Projected to overtake the US in the coming decades as the world's largest economy, China recently replaced the US as the most important trading partner in East Asia. It became the primary trading partner of South Korea and Japan in 2004 and 2007 respectively. China has also turned into an important source of foreign direct investment (FDI) and loans in Asia and a willing partner for infrastructure and technology development. Some of the smaller Southeast Asian countries, such as Cambodia and Laos, are heavily indebted to China. Beijing has sought integration into existing institutional formats such as the Association of Southeast Asian Nations (ASEAN), joining the ASEAN+3 grouping in 1997, as well as the World Trade Organization (WTO), which it joined in 2001. China has also started creating its own international and regional institutions, including the Asian Infrastructure Investment Bank (AIIB, 2015) and the Regional Comprehensive Economic Partnership (RCEP, 2020).

For many countries in the region, China looms large not just as a leading economic power, but also as a potential security threat. While US military and technical superiority remains unmatched for the time being, China is catching up – notably

focusing on improving its maritime power capabilities. China has invested in the expansion of its coast guard into Asia's largest, and has also focused on improving its navy. Beijing now controls the world's largest fleet, though the US navy remains the world's premier fighting force. China's increasing military strength and ambitions are reflected in a more assertive approach towards its neighborhood, particularly evident since 2010. In breach of established international conventions, China backs its controversial claims in the South China Sea with naval maneuvers, the creation of artificial islands, and administrative arrangements. This results in territorial conflicts with neighboring states and increased tensions with the US. In reaction to the perceived "containment" and "encirclement" by the US and its allies, China is likely to further strengthen its efforts to drive a wedge between them – a particularly direct challenge to the existing order.

Waning US Dominance: Weakening Hub, Weakening Spokes

Under the Trump presidency (2017–2021), open rifts in US alliances with its East Asian partners became visible. In an unprecedented push, the Trump administration asked South Korea to quintuple its annual payments for stationing US troops on its territory to 5 billion USD and Japan to quadruple its annual payments to 8 billion USD. In the dispute over bilateral cost sharing, the US threatened to withdraw its troops from the countries were Washington's demands not met. The disputes reflected Trump's long-held misgivings about maintaining a US military presence overseas. He had repeatedly criticized allies, such as Japan and South Korea, as "free riders" that would exploit the US security umbrella and fail to pull their weight in regional security. This assessment did not appear to take into account that Washington's Asian allies consistently increase their defense spending, finance US military facilities on their territories, conclude major arms deals, and contribute to US-led military and peacekeeping operations across the world.[8]

Trump's approach towards US allies in East Asia, and his election more generally, reflect a broader politico-societal trend in the US, namely disappearing domestic support for the old grand political bargain with East Asia. In the Cold War context, there was political consensus among both the elites and the broader public that it was beneficial to give trade and investment privileges to East Asian partners and have them pay for the US security umbrella in exchange. This was to the detriment of US workers in sectors competing with East Asian

economies, namely the automobile, consumer electronics, and steel sectors. With the changing international context (particularly the collapse of the communist threat) and changing economic power relations between the US and its East Asian partners, the value of the larger political bargain with the region, including the value of US military presence and partners in Asia, has been called into question in the United States.[9]

Well before Trump's arrival in office in January 2017, US leadership in East Asia had shown signs of inconsistency and at least temporary disengagement. In the post-Cold War period, US foreign and security policymakers had increasingly shifted their attention to other world regions and new security threats. After the terrorist attacks of 11 September 2001, President George W. Bush focused on the "War on Terror." Growing political awareness of the increasing economic, demographic, and geopolitical weight of Asia, and China in particular, led the US under President Barack Obama to pursue a policy of reengagement with Asia starting in 2011, which was known as the "Pivot to Asia." At the heart of this shift in strategy was the Trans-Pacific Partnership agreement (TPP). Trump, however, withdrew the US from this free trade agreement on his first day in office. With its distinctively protectionist and unilateral approach, the Trump administration disrespected previous modes of US engagement with East Asia, lowering East Asian countries' confidence in US leadership. At the same time, the Trump administration's embrace of open competition with "long-term strategic rival" China meant increased strategic attention to the region.

The weakening of US influence in East Asia affects not only US ties with its East Asian partners, but also relations among them. The fraught relationship between Japan and South Korea is a particularly illustrative example. Japan's 2020 defense white paper makes no mention of plans to continue defense cooperation with South Korea. According to the annual report, such cooperation and exchange would be difficult to sustain in light of recent events, including a 2018 radar incident in which a South Korean warship allegedly directed its fire-control radar on a Japanese surveillance plane. Similarly, South Korea had recently threatened to end a military intelligence-sharing pact known as the General Security of Military Information Agreement. In turn, South Korea's 2020 Defense White Paper dropped a reference to Japan as "partner" and described it instead as close neighbor. The biennial report listed a number of issues

hindering "forward-looking defense relations," including Japanese leaders' "distorted perceptions" about the country's colonial past, Japan's territorial claim to the Dokdo/Takeshima islands, the 2018 radar incident, and Japan's 2019 decision to tighten export controls on high-tech products to South Korea in reaction to court rulings over compensation for South Korean wartime forced laborers.[10]

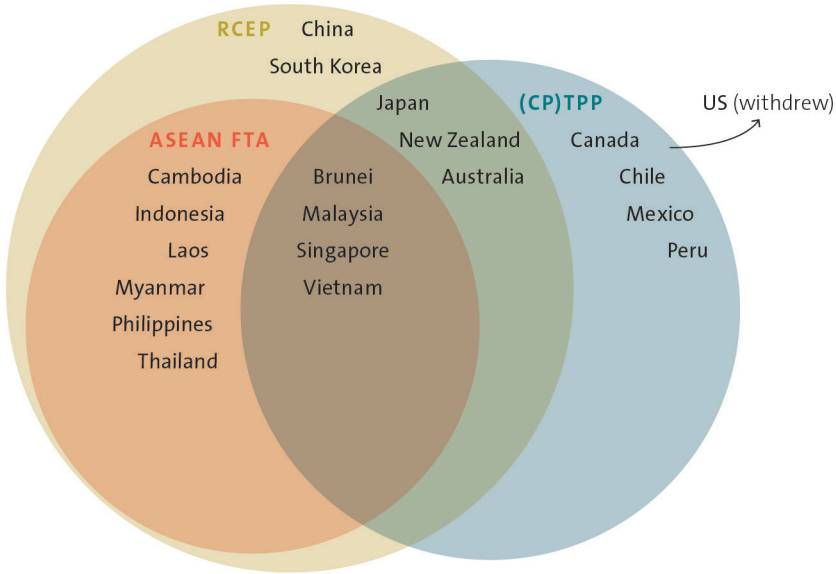
Japan: Seeking a New Leadership Role in Asia

In the face of a changing security environment and unsteady US leadership in East Asia, Japan has stepped up its role in the region.[11] It has taken proactive steps to promote a liberal economic order and to protect and stabilize the security framework in East Asia. In 2007, Japan became the first country to propose a strategic framework for a "Free and Open Indo-Pacific" (FOIP), designed to counter China's expansive and illiberal behavior in the East China Sea and the South China Sea.[12] When the US under Trump withdrew from the TPP in early 2017, Japan took the lead and led it to completion. Ultimately, 11 Pacific states signed the Comprehensive Progressive Trans-Pacific Partnership in March 2018 (see graph on Asia-Pacific trade agreements). Japan competes with China over regional influence, for example in the area of development aid and infrastructure financing, as well as at the level of regional organizations. Japan, holding a leading position in the Asian Development Bank, decided, for example, not to join the China-led AIIB.

In light of China's rise and growing doubts about US commitment to regional allies, Japanese concerns about its weakening regional position prompted Tokyo to take an increasingly proactive approach in its efforts to set a regional agenda. In contrast to smaller countries in the region, including South Korea, Japan acknowledged China as an economic competitor and security threat early on. Japan's economy suffered from chronic deflation that began in the late 1990s and lasted until 2013. In 2010, China's economy overtook Japan's to become the world's second-largest, though Japan remains in third place. The technological advantage that Japanese companies hold over their Chinese competitors is also shrinking. Other areas of concern include China's growing military capabilities and their potential application. China has made maritime and sovereignty claims in the East China Sea, including over the Diaoyu/Senkaku islands, which directly conflict with Japan's own claims. Furthermore, Chinese activities in the South China Sea potentially threaten freedom of navigation.

Major Trade Agreements in the Asia-Pacific

Indicators of a changing economic order



These newer challenges combined with older, unabated threats emanating from a nuclear-armed North Korea highlight the worsening of Japan's security environment. With its military activities restricted by its postwar constitution, Japan continues to depend on US security arrangements, including the nuclear umbrella.

Recent policy documents reveal how Japan defines its strategic interests and foreign policy position in the changing geopolitical environment. The country identifies itself as a "maritime state."[13] As a trade-dependent island nation, Japan depends on stable access to the sea. Against the backdrop of China's sweeping sovereignty and territorial claims in the East and South China seas, Japan is proactively promoting a maritime order in which the rule of law at sea is respected. To this end, Japan sees the preservation of the status quo, in which the US holds naval primacy in the region, as in its interest. Japan also emphasizes the importance of "values" and increasingly positions itself as a contributor to the liberal and rules-based international order. Seeing a strong US leadership role in East Asia as in its interest, Japan takes

an active role in encouraging Asian countries to support the US in the strategic US-China rivalry.[14]

Part of Japan's efforts to strengthen aspects of the existing order and pursue its own interests has been to emphasize multilateralism and cooperation with out-of-the-area states. To advance regional security cooperation, Japan has reached out not only to the US, but also to Australia and India. Japan seeks such cooperation not only in security affairs, as in the Quadrilateral Security Dialogue (Quad), but also as part of an effort to work with partners to strengthen the liberal order in the region through initiatives such as "Asia's Democratic Security Diamond," as well as on the broader international level.[15] With the EU, Japan concluded a trade agreement as well as a strategic partnership agreement, which makes reference to common values such as democracy, the rule of law, and human rights. Through these initiatives and others, Japan has taken the lead in responding to the rise of an illiberal China. Japan's conceptual work on issues such as FOIP is an essential part of its leadership on strategic issues in East Asia.[16]

Under Prime Minister Shinzo Abe, Japan started to adopt a more activist foreign policy and a more assertive security policy. Abe's tenure was characterized by its longevity (2006–2007 and 2012–2020), unique in Japan's post-war history, and an unprecedented concentration of executive power. Abe pursued domestic policies reflecting the nationalist and revisionist political thought of the conservative establishment, of which his long-ruling Liberal Democratic Party is a part. Since the end of the Cold War, conservative calls have existed to re-prioritize Japan's military strength over economic development.[17] Abe successfully pushed security reforms despite opposition from parliament and the public, which holds relatively liberal positions (as seen in popular protest against US military installations). This led to a reinterpretation of Article 9 of Japan's pacifist post-war constitution in 2015.[18] According to the new doctrine, Japan's Self-Defense Forces may now participate in collective security operations and defend the military of an ally, including the United States, when it is under attack. Some analysts see this change in Japan's security policy as an evolutionary step,[19] pointing to Japan's previous support for the US wars in Afghanistan or Iraq, whereas others consider it to be revolutionary and marking the end of Japan's post-war pacifism.[20]

In summary, Japan's strategy in the face of China's rise and the relative decline of the US is multi-faceted. It

has launched new initiatives in which it partners with other countries both inside and outside of the region. This also includes closer security cooperation with ASEAN states, for example within the ASEAN Defense Ministers' Meeting Plus. Japan has also increased its defense spending and adjusted its security policy, broadening the profile of its Self-Defense Forces. However, and importantly, Japan has also invested in improving its relations with China. The Diaoyu/Senkaku islands dispute in 2012/2013, when Abe retook office (and previously in 2008), significantly strained the relationship between the two nations. Abe's subsequent stabilization of Japanese relations with China is one of his foreign policy achievements.

South Korea: Navigating Great-Power Rivalry

In his first press conference in 2021, South Korean President Moon Jae-in made it clear: South Korea would not take sides in the US-China rivalry. Relations with China and the US would be "equally important."[21] South Korea has resisted recent calls by the Trump administration to join its Clean Network initiative, which would require countries not to use Huawei equipment for their 5G networks. South Korea has also refrained from officially supporting the US-led Indo-Pacific Strategy, which was introduced in 2017 as a response to China's expansionism. Under Moon, South Korea even agreed to increase defense exchanges and establish military hotlines with China.

The reluctance to join US initiatives against China is noteworthy since modern South Korea would not exist if not for its close strategic ties with the US, forged during the post-war period. Historically, South Korea had only limited strategic options; the "geographic location at the vortex of great-power rivalry in Northeast Asia" made the country "a victim of the tragedy of great-power politics." Great-power conflicts resulted in the Korean Peninsula's loss of sovereignty in the early 20th century, its division after World War II, and the Korean War. The US security umbrella has guaranteed South Korea's existence from the Korean War to the present against security threats from the North. The regime in Pyongyang continues to expand its nuclear and missile programs and could devastate the densely populated Seoul region with its conventional and possibly chemically equipped artillery deployed along the border.[22]

In the past, South Korea relied on the US not only for security, but also for its economic prosperity and positioning in the international

system. With US help, South Korea experienced spectacular (export-led) economic growth and successfully integrated into the Western-led liberal international order. It currently holds the position as the 11th-largest economy and sixth-largest exporter in the world. Since the 1990s, South Korea has been an active member of the UN, WTO, and the OECD. Despite these achievements, South Korea faces a rather hostile regional security environment with some of the world's largest economic and military powers in its neighborhood.[23]

An economic rationale, shared by other Asian countries, and a strategic dilemma specific to South Korea explain why South Korea will not easily commit to fully aligning with the US against China. Like its neighbors, South Korea sees its economic future with China, its main trading partner. Politically influential business circles hold, in general, a China-friendly view. The key to understanding South Korea's strategic engagement with China, however, is North Korea. Cooperation with China, the only ally and largest trading partner of North Korea, is seen as critical to achieving the reunification of Korea. Reunification is a key priority of South Korean foreign policy, along with economic prosperity and security/sovereignty. Even staunch supporters of a strong alliance with the US will also want to pursue good relations with China, given the expected negative effects of a deteriorating relationship with China on the South Korean economy and prospects for reunification.[24]

President Moon is a representative of the progressive political camp, which in the past was more critical of the country's alliance with the US and more likely to place equal value on the country's relations with China than was the conservative camp. However, South Korean politicians and the broader public see China less favorably than they did a few years ago. In reaction to South Korea's decision to deploy a US missile defense system (THAAD), China in 2016 launched an 18-month boycott campaign with severely damaging effects for the South Korean economy. This sowed public distrust on the Korean side. Recent public opinion polls reveal that the South Korean public holds a decreasingly favorable view of both great powers. However, if they had to choose between them, a clear majority of South Koreans would still choose the US over China.[25]

In the unfolding US-China competition, South Korea has so far opted for a "strategic nondecision."[26] Historically, South Korea has always tried to accommodate the most powerful

country. Currently, South Korea seeks to avoid making choices by accommodating both great powers. To accommodate China and settle the THAAD dispute, South Korea agreed to restrain itself militarily (including no additional THAAD deployment, no participation in any US-led regional missile defense network, and no trilateral military alliance with the US and Japan). It has also been open to joining China-led regional groupings, such as the AIIB (2015) and the RCEP (2020), the latter of which is the world's largest free trade zone encompassing China, Japan, and the ASEAN states, as well as Australia and New Zealand. At the same time, South Korea keeps investing in its alliance with the US. Even under arguably the most progressive Korean government (2003–2008), South Korea participated in the US "War on Terror" in Iraq as the third-largest contributor.

The Role of Middle Powers in the US-China Rivalry

The implications of the great-power rivalry for East Asian countries are twofold. First, countries in the region face increasing pressure to make choices and align with either China or the US. Second, the rivalry reflects and reinforces ongoing power shifts, giving rise to strategic uncertainties. East Asia is of core interest to both great powers, and both China and the US actively promote their competing visions for the region through regional organizations and other initiatives. China's Belt and Road Initiative is a clear example of the country building influence in its neighborhood. Yet, participation in these undertakings also risks alienating the other power. China-led initiatives may be seen as purposefully excluding the US, but Washington-supported proposals, such as the 5G Clean Network initiative, are quickly interpreted as attempts to limit or contain China. Such competing proposals leave countries in the region with zero-sum choices.[27]

In East Asia, no region-wide political or security mechanism exists that could mediate the effects of the unfolding great-power competition and its associated uncertainties on individual countries. While both great powers invest in establishing and reinforcing partnerships in the region, doubts exist as to how reliable these partnerships are and how well they align with partner countries' political, security, and economic interests. In reaction to the uncertain geopolitical environment, the small and middle powers of East Asia are increasing their defense spending and reinforcing security cooperation – not only with the US, but also with other global partners such as Australia and India. More generally, intraregional

interaction and cooperation, with a focus on economic activities (for example in the ASEAN context), are on the rise. While they reflect the general trend of intensifying economic ties, such joint activities can also be seen as countries' individual hedging strategies in an increasingly harsh geopolitical environment.

Cooperation between small and medium powers will be essential in enabling them to voice their interests in an environment increasingly dominated by great-power competition. However, the US-led order is heavily focused on bilateralism, with particularly strong links in Northeast as compared to Southeast Asia. In the past, South Korea has shown openness to multilateral solutions for the region, including in Northeast Asia. Seoul has also demonstrated an interest in deepening regional integration, for example through the ASEAN+3 forum. In fact, South Korea has proved far more open to such efforts than Japan. Most South Korean presidents in the post-Cold War period pursued a strategic vision of a regional security mechanism that could help overcome (military) insecurities and competition in the region. A main motivation was to ease tensions in both US-China and Sino-Japanese rivalries. The Northeast Asian Peace and Cooperation Initiative, launched by the Park Geun-hye administration (2013–2017), is one among a number of initiatives that did not prove successful – arguably, because South Korea was not in a strong enough position to push it. It was also Park who pointed to the "Asian Paradox" of decades-long intensifying economic cooperation in East Asia in the near absence of political and security cooperation.

Another legacy of the US-led order that makes in-depth regional cooperation or even integration difficult is Japan's position in the region: It is strong and contested at the same time. Wanting Japan to be the economic engine and stable anchor of the region, the US shielded the country from claims to reparations for the colonial and war atrocities inflicted on neighboring countries. In contrast to Germany, Japan has never engaged in a process of critically coming to terms with its war crimes. The Philippines, for example, openly protested against the 1951 peace treaty as it did not commit Japan to pay reparations. In a related development, Japan's increased economic engagement in Southeast Asia starting in the 1970s led to backlash; anti-Japanese protests took place in Indonesia and Thailand. The ongoing conflict between Japan and South Korea is also rooted in unresolved historical conflicts, aggravated by new nationalism in both countries.

Due to the visible nationalism and revisionism in contemporary Japanese politics, combined with memories of imperial Japan, East Asian neighbor states remain suspicious of the country's ambitions to raise its regional leadership profile. But Japan's relations with smaller Southeast Asian states have, on the whole, improved over time. Japan's position in the region is today well established. Neighboring countries appreciate Japan as a business partner, leading source of FDI, or major donor of development aid. More problematic are the country's relations with South Korea. In recent years, the two countries found themselves in a downward spiral, constantly hitting new lows in their relationship. Japan will have to overcome such fundamental conflicts within the region and convince East Asian partners of their shared interests in order to have an impact on the emerging regional order. Its focus so far has been on political coalition-building outside the region. In a similar logic, South Korea could strengthen its position in the great-power rivalry by improving its relations with Japan.

In situations when power is rapidly shifting, as is the case in East Asia amid the US-China rivalry, a clear positioning of regional actors, especially the more influential ones, can be consequential for the forming regional order. The current power shifts indicate that US influence will wane in the future order and that some power will be shared with an ever more ambitious and powerful China. Japan's strategy towards China can be described as balancing or "heavy hedging." The country undertakes broad efforts to keep the US engaged in the region. By contrast, the approach taken by most other countries qualifies as some sort of "light hedging" or "dual hedging," meaning efforts to hedge against both China and the US by increasing cooperation with both great powers simultaneously.[28] Like many other countries in the region, South Korea refrains from competition over regional influence but seeks a stable regional order. South Korea has made it clear that it does not want to align with one of the great powers amid their rivalry. Timely, proactive, and consistent action and communication by middle powers can help ensure their continued position of influence and prove decisive in solidifying a new regional order.

In the absence of a regional architecture, middle powers have a key role to play in formulating indigenous solutions to new political and security challenges in East Asia and promoting their joint interests even if they conflict with those of great powers. Japan stands out as the actor that has

arguably most actively positioned itself in the new and changing geopolitical landscape of the region. During this formative period for East Asia, Tokyo demonstrated political innovation and leadership. It has been at the forefront of anticipating and reacting to power shifts in East Asia, including China's rise and the relative decline of the US. Under Abe's premiership, Japan managed to develop a long-term strategic vision of the region and Japan's role in it. Both conceptual work and political action have been important to bring political visions, such as the Quad and FOIP, to life. This included international networking efforts. Other countries, like the US, have embraced concepts like FOIP that have been promoted by Japan. Analysts argue that Japan has, over the past decades, become a more equal ally with the US and, today takes on a leading, forward-thinking role in the East Asian region.[29]

Towards a New Grand Political Bargain in East Asia

The East Asian order is at a critical juncture. The future of the region continues to depend critically on US engagement. Early indications from the Biden administration show that it seeks to abandon the unilateral approach taken under Trump and will strengthen cooperation with old and new partners and allies, such as Japan, South Korea, and India, in order to respond jointly to the challenges related to China's rise. Will strengthening old engagement patterns be enough, however, to hinder China's increasing geopolitical influence in the region? The US is still in a position to exert strong influence on East Asian partners, through either coercive means (such as the threat to exclude them from intelligence sharing) or positive incentives. The US, however, also increasingly needs to compete with China, an influential economic partner and provider of public goods to countries in the region. Unlike China, the US has until recently "shunned the region's various indigenous architectural efforts," for example by being "decidedly ambivalent" about past proposals such as Asia-Pacific Economic Cooperation (APEC).[30] The US under Trump placed priority on domestic needs and interests ("America first") over the interests of other countries, including those of East Asian allies. Defining common interests and developing joint perspectives will be a necessary part of the US attempt to re-establish itself as a reliable, consistent partner and leader in Asia.

Whether the US and its East Asian partners will arrive at a consensus over the rules and principles they want to promote jointly in the region is dependent on how closely the interests of the partners align. In this regard,

the US approach towards China and North Korea will be crucial. An approach that isolates China economically and politically is in the interest of neither Japan nor South Korea. At the same time, concerns over China's military ambitions are growing across the region and beyond. Signs exist that China will consolidate its military cooperation with North Korea and further strengthen ties with Russia.[31] For example, China and Russia's first joint air patrol in July 2019 proved aggravating to both Japan and South Korea. Both Tokyo and Seoul accused the joint air patrol of violating their national airspace. By making the incursion near the disputed Dokdo/Takeshima islands, which South Korea administers but Japan also claims, China may have intended to drive a wedge between the two US allies, with Russia's help. Furthermore, changes in the US approach towards North Korea have also sown confusion and worry. Trump's summit diplomacy directly engaged with North Korean leader Kim Jong-un, raising fears that the US could strike a deal with North Korea to the detriment of Japan and South Korea. The US will have to assure its partners and address such concerns and fears in a credible and sustainable way.

A good basis exists for continued and even strengthened military cooperation between the US and its East Asian partners. Threat perceptions and security interests of the US, Japan, and South Korea largely coincide. For all three countries, China's rise represents a primary security threat and one that will dominate discourse for the foreseeable future. As China continues to gain influence and power, mutual security ties among Japan, South Korea, and the US will become increasingly relevant. Similarly, a hostile North Korea that keeps increasing its nuclear and missile capabilities is another shared security priority. Furthermore, the impact of the long history of cooperation between the US and its Northeast Asian allies should not be underestimated. Past military cooperation has proven very successful, particularly in reference to close US-Japan collaboration on missile defense. Against the backdrop of the changing security environment, Japan even signaled its intention to step up its security cooperation with the US and expressed interest in joining the US Five Eyes intelligence partnership with Australia, Canada, New Zealand, and the UK.

The growing military capabilities of East Asian partners and their continued commitment to their alliance with the US facilitate a strong US military engagement in the region. Both Japan and South Korea are interested in playing an active role in regional

security, though South Korea is far more reluctant than Japan to take sides in the US-China rivalry. Contrary to President Trump's claims, Japan and South Korea have been investing in both their own military power and their alliance with the US. Japan increased its defense spending by 13 per cent since 2013, after a decade of cuts. Tokyo also covered almost all of the costs for new US military facilities at Futenma and Iwakuni. It also relies heavily on US arms exports, as 90 per cent of Japanese defense systems and weapons are American. South Korea is among the world's top spenders on defense (currently 2.6 per cent of its GDP and rising) and paid 90 per cent of the 11 billion USD construction cost for Camp Humphreys, the US' largest overseas military base. It also purchased 13 billion USD worth of US arms in a recent four-year period.[32]

Aside from the military aspects of their partnership, the US also enjoys many other significant benefits from its Northeast Asian allies. Tokyo and Seoul are natural partners of the US with regard to both regional and global governance. Japan and South Korea are among the most economically and technologically advanced countries worldwide. They are active members of the Western-led international order, holding memberships in all important Western-led international organizations. Typical of middle powers, Japan and South Korea are also supportive of multilateralism. Both have stable democratic political systems and promote the rule of law, both domestically and internationally. Japan and South Korea are valuable partners from a regional geostrategic aspect, but also as international technological and infrastructure governance leaders – key areas in the effort to manage China's rise.

To strengthen its leadership going forward, the US will have to be sensitive to new, complex geopolitical realities in East Asia. Countries like Japan and South Korea are today in a far better position to shape regional politics than they were 70 years ago. In the early 1950s, the US established a system of strongly asymmetric relations with its East Asian partners, which reflected countries' relative power at the time. The US had established its military superiority through its role in World War II and the Korean War, and had by this time also proved itself as an economic powerhouse. The US accounted for half of global GDP and held 80 per cent of the world's hard currency reserves. In partnering with Japan and South Korea, the US was partnering with war-ravaged, economically weak nations. Today, they are among the leading economies in the world, running large trade

surpluses with the US. Both countries have modernized their militaries, which are among the best equipped in the region. China's rise makes Japan and South Korea indispensable partners of the US in the region. At the same time, China's growing power and influence creates new security challenges for Japan and South Korea, showcasing the benefits of a strong US position and partnerships in East Asia.

The Future of the Regional Order in East Asia

East Asia is transitioning to a more complex regional order where power will be more diffuse and both the US and China want to lead. Given East Asia's growing economic and geopolitical weight, success in this effort will influence their respective abilities to maintain and develop their great-power status. The positioning of middle powers will be decisive in how the great-power rivalry will play out in the region. Japan, for example, demonstrates how middle powers can have an impact on regional politics in ways that serve their interests by taking a proactive approach. Japan has proved successful in actively seeking cooperation with other extra-regional powers, such as Australia and India and potentially European countries, in a way that helps solidify Tokyo's position on the world stage. Whether middle and small powers in Asia can shape the order in their interest will also depend on their ability to cooperate. Yet simply sharing common interests, such as the pursuit of stability, peace, and economic prosperity, will not suffice. They also need to overcome impediments to multilateral cooperation at the regional level, some of which are legacies of the established US-led order. This includes East Asia's strong preference for bilateralism and unaddressed historical anti-Japanese sentiments.

What could a new grand political bargain look like from a US perspective? To continue playing a leading role in East Asia over the long term, the US will have to redefine the nature of its role as an Asian power and gain clarity in its strategic priorities. The political support at home for the old bargain is gone. President Biden faces domestic constraints regarding US participation in free-trade agreements. Yet it is just those tools that are of growing geopolitical relevance in East Asia. At the same time, assessments of the geopolitical role of both China and Japan enjoy a strong bipartisan consensus. China is seen as a long-term strategic competitor whose rise the US needs to manage. Japan is considered a key partner in this endeavor. In addition, North Korea continues to represent a significant security threat in East Asia of international relevance, an issue

on which the US will want to cooperate with East Asian partners including South Korea. Sufficient common ground seems to exist for continued US engagement in East Asia – an engagement that will be backed by its old East Asian partners.

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